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Parliament

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From the
Minister of State
Norman Tebbit

The Rt Hon Leon Brittan QC MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
London SW1

3 July 1981

Dear Chief Secretary

GOVERNMENT REPLY TO SELECT COMMITTEE REPORT ON CONCORDE

Thank you for your letter of 29 June commenting on the draft enclosed with mine of 22 June.

I quite agree that the reply should not prejudge the outcome of the current review by this Department of the relative costs of continuation and of cancellation of Government financial support for Concorde, and that the results should be regarded as being of sufficient general importance for them to be reported to Parliament direct and not just to the Committee. As your people have rightly indicated, this review should not however be at the expense of a continued vigorous search for reductions in future Concorde expenditures; nor can it take precedence over the considerable amount of work involved in getting the Government's reply published and with any possible fallout, eg an Adjournment Debate. To meet this point I have deleted the words "to well below those of cancellation" from the end of paragraph 2, the last sentence of paragraph 6, and also the last sentence of paragraph 20.

I cannot, however, agree to your suggestion that paragraph 6 should be further recast to remove all reference to the effect that alteration of the previously reported costs of continuation will have on the relative balance between these costs and those of mutually agreed cancellation. This would be a step backwards since, as the commentary indicates, this paragraph was inserted to meet criticisms by your officials and others that the earlier draft concentrated entirely on the first of the Committee's alternative policies, and summarizes the present state of the Department's ability to quantify the relative costs of continuation and of cancellation. Such information, which is factually correct

and in no way prejudges the outcome of the total review, is in my judgement an essential ingredient of a reply which rejects the appointment of independent consultants on the grounds that the Government is satisfied with the present arrangements for gathering and presenting information; and giving this information counteracts any suggestion that, in its pursuit of reductions in Concorde net expenditures, the Government is totally oblivious - and expects Parliament to be - of the impact that these are having on the relative costs of continuation and of cancellation.

To judge from the supplementaries to Jock Bruce-Gardyne's Question on 22 June, when I was obliged to indicate that Members should await the Command Paper calculations, it is necessary that we should give as much information as we can of the present state of the Government's knowledge of the relative costs of continuation and of cancellation is most necessary.

I have therefore retained the present wording of the first part of paragraph 6, including the reference to the fact that some reduction in the costs of cancellation is to be expected. As drafted, this latter reference is, however, unnecessarily obscure, and does not reveal the extent of the Department's current knowledge of the changing labour situation at British Aerospace and Rolls-Royce Bristol. A similar point arises on the comments in Tom Trenchard's letter of 30 June.

I have therefore reworded the second sentence to read as follows "Because many fewer people are expected to be employed on Concorde at the assumed date of cancellation than was the case with the earlier calculations, some significant reduction in the £42 million cost of mutually agreed cancellation is to be expected from the present review of the relative costs of continuation and of cancellation." I have also deleted the last sentence of the paragraph, since the juxtaposition it poses could be held to prejudge the outcome of the review.

I am copying this letter to the receipients of mine of 22 June.

Yours sincerely

P E Mason

pp NORMAN TEBBIT
(Approved by the Minister
and signed in his absence)

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

Norman Tebbit Esq MP
Minister of State
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7 July 1981

Dear Norman,

GOVERNMENT REPLY TO SELECT COMMITTEE REPORT ON CONCORDE

Thank you for your letter of 3 July. I am grateful to you for taking account of the points in my letter of 29 June, and I am entirely content with the revised draft of the Government's reply.

I accept that the reappraisal of the Concorde project, including the costs of cancellation, cannot be given absolutely top priority. But I hope that officials will be able to report to Ministers at the latest by the end of the Recess.

Copies of this letter go to the recipients of the previous correspondence.

Yours ever,

LEON BRITTAN