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Prime Minister (4)



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From the
Minister of State

PS/Norman Lamont MP

Jonathan Spencer Esq
Private Secretary to the
Secretary of State for Industry
Department of Industry
Ashdown House
123 Victoria Street
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22 April 1982

Dear Jonathan

SELECT COMMITTEE REPORT ON CONCORDE

At the meeting of E(EA) on 20 April it was agreed that a revised draft of Mr Lamont's letter to the Chairman of the Select Committee, giving the Government's considered reply to the Committee's recommendations, should be circulated for approval.

I now attach a revised draft, as agreed by my Minister. Changes from the original are indicated by underlining or sidelining. I would be grateful for any comments from recipients by lunch time Friday 23 April.

It is proposed that the letter be sent to the Chairman on the morning of Monday 26 April. Mr Lamont would inform the House of his reply, but not of its contents, in an answer to an arranged written PQ later that day. The Committee would then take final decisions on early publication at their business meeting on Wednesday 28 April.

I am copying this letter and enclosure to the Private Secretary to the Prime Minister, and to the Private Secretaries to E(EA) members, the Leader of the House, the Parliamentary Under Secretary of State at the Foreign and Commonwealth Office, the Minister of State for Defence Procurement, the Chief Whip, and Sir Robert Armstrong.

yours,
John

JOHN ALTY
Private Secretary

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DRAFT LETTER FROM MINISTER OF STATE FOR INDUSTRY TO SEND TO THE
CHAIRMAN OF SELECT COMMITTEE ON INDUSTRY AND TRADE

INDUSTRY AND TRADE COMMITTEE REPORT ON CONCORDE

I am writing to let you have the Government's reply to the recommendations contained in the Committee's second report on Concorde (HC 193) which was published on 25 February last.

The Committee recommend (paragraph 22(a)) that, in agreement with the French, figures should be drawn up and published showing the balance of advantage at the earliest date recognised as practicable for cancellation. Paragraph 22(b) defines cancellation as requiring that a terminal date for support from public funds should be fixed and announced; and this forms the Committee's second recommendation.

As I explained to the Committee on 9 December, joint Anglo-French studies were being carried out to compare the relative costs in the two countries of continuation of Concorde services and their termination. You will know from my written Answer on 20 April these have now been completed and a report made to the two Governments.

The calculations, using up-dated estimates of the project costs of support and revised airline operating forecasts provided by British Airways, agree with Table B of the Department of Industry's memorandum of 2 December 1981, in indicating that British Airways Concorde surpluses, as estimated by the airline

would exceed estimated net project expenditures by 1984-85. They suggest too that this date might be advanced to 1983-84 if the airline were to lease aircraft to Federal Express for a transatlantic parcels service. The joint studies also indicate that there is no foreseeable possibility of Air France realising surpluses on their Concorde operations which might be such as to cover the French manufacturers losses in providing in-service support to Air France and British Airways.

I shall be discussing these studies with the French Minister of Transport, M Fiterman, on 6 May. We shall then consider whether the studies are conclusive, and if so their implications. I shall also discuss what information could be made available to the two Parliaments.

At our meeting I shall also seek to negotiate with M Fiterman to the maximum extent possible a settlement of outstanding cost sharing imbalances, which forms the subject for the Committee's third recommendation (in paragraph 22(c)). I have already reminded him of my statement at our meeting on 29 October 1981 that the future of Concorde would not be settled satisfactorily without a just and equitable solution to the question of these imbalances. Lord Carrington also drew the attention of M Cheysson, the French Foreign Minister, to this question at their meeting on 15 March.

I welcome the Committee's interest and support; but there are of course very considerable complexities and constraints surrounding this issue. (See my answer to Mr McNally (Question 6), and Sir Peter Emery, (Question 58), at the hearing on 9 December.)



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Foreign and Commonwealth Office

London SW1A 2AH

23 April 1982

SELECT COMMITTEE REPORT ON CONCORDE

1. Thank you for your letter of 22 April enclosing a draft letter from Mr Lamont to the Chairman of the House of Commons Select Committee on Industry and Trade. *with mcs today*
2. As you know, we are concerned that anything said in public about Concorde, particularly before Mr Lamont meets M Fitermann on 6 May, should not prejudice our chances of gaining the best possible deal from the French when Government support for the Concorde is withdrawn. We think it would help to secure this if you could agree to two minor alterations of your proposed text.
3. In paragraph 5 on page 2 we would like to see the passage quote whether the studies are conclusive, and if so unquote deleted, since this implies that we do not have much confidence ourselves in the studies. In the following paragraph we would like to see the passage quote to the maximum extent possible unquote deleted.
4. I appreciate that we do not wish to mislead the Select Committee by appearing to place more confidence in the results of the studies than is in fact the case. The demands of our negotiation with the French and of your Minister's relations with the Select Committee are to some extent conflicting. I hope that our proposed amendments by leaving intact certain caveats in the text, take care of both concerns.
5. I am copying this letter to the Private Secretary to the Prime Minister and to the Private Secretaries to E(EA) members, the Leader of the House, the Minister of State for Defence Procurement, and Chief Whip and Sir Robert Armstrong.

John Alty Esq
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Aldershot House

J M Macgregor
PS/Mr Rifkind