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From the
Minister of State
Norman Lamont MP

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Iain Sproat Esq MP
Parliamentary Under Secretary
of State
Department of Trade
1 Victoria Street
London SW1

MS
Prime Minister (2)

Ms 12/11

// November 1982

Dear Iain

FUTURE OF CONCORDE

John King copied to me his letter to you of 18 October in which he sets out British Airways' latest thinking on the future of Concorde, in reply to your letter to him of 10 August.

Most of the points in John King's letter can be considered in the context of his definitive reply. However, I suggest that it would be helpful to John King if you were to let him know soon the Government's attitude to the contractual points raised in his letter, so that it can be taken into account before he sends his definitive reply.

John King says in the fourth paragraph of his letter that, because of the time needed to restructure and reassign them, BA would probably suggest that it should continue to deal with the manufacturers through the existing Government contracts.

In-service support costs would be agreed on a year-by-year basis and paid direct by BA to HMG provided they made commercial sense to BA.

John King's letter is not entirely clear as to whether he is proposing these as long-term arrangements. But I think we should make it clear that the Government would much prefer BA to negotiate contracts direct with the manufacturers. Under the arrangements proposed by John King, the Government would continue to be involved indefinitely in Concorde in-service support; Ministers would still be accountable to Parliament for it; and the Government could at some unknown time in the future find itself once again responsible for funding Concorde in-service support, or terminating it. All this would be most undesirable, and could negate much of the benefit we see flowing from disengaging the Government from the project.

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Before, however, we can say to BA that this is our firm view, officials will need to discuss with French officials the arrangements the Government prefers; to ensure that the French Government would not object to them; or, if they should raise objection, to advise on whether they have such substantial grounds for doing so as to require us to think again. At this stage therefore, I suggest that all you need do is to put down a marker indicating to BA our likely position. I attach a draft indicating the sort of reply to John King which we would find helpful.

I am copying this letter and attachment to the Prime Minister, the members of E(EA), to John Biffen, Malcolm Rifkind, Tom Trenchard and Michael Jopling, and to Sir Robert Armstrong.

NORMAN LAMONT

Yours
Norman



DRAFT LETTER FOR MR LAMONT TO SEND TO:

Sir John King
Chairman
British Airways
PO Box 10
Heathrow Airport (London)
Hounslow
TW6 2JA

Thank you for your letter of 18 October.

I was pleased to learn of your progress in considering the future of Concorde, and that you have received the full co-operation of British Aerospace and Rolls-Royce in this. I look forward to receiving your definitive proposals in early December. In the meantime, there is just one point in your letter on which I thought it would be helpful if I were to clarify the Government's attitude.

In the fourth paragraph of your letter you say that you expect to suggest that BA should continue to deal with the manufacturers through the existing Government contracts. In-service support costs would be agreed on a year-by-year basis and paid direct by BA to HMG, provided they made commercial sense to BA. I should let you know at this stage that the Government would greatly prefer that in-service support costs should, as soon as possible, be organised on the basis of contracts direct between BA and the manufacturers. I should be grateful if you would take this into account when framing your definitive reply.

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I am copying this letter to Norman Lamont, Austin Pearce and Frank McFadzean.

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