

CONFIDENTIAL

Prime Minister (2)

Ms 7/12

Foreign and Commonwealth Office

London SW1A 2AH

6 December 1982

From the Parliamentary Under Secretary of State



Dear Leon,

ms

FUTURE OF CONCORDE

Thank you for sending me a copy of your letter of 25 November to Norman Lamont about the future of Concorde. I agree that it is our general view that Concorde should now be kept flying, and that we should pursue our objective of transferring in-service support costs from HMG to British Airways. I also agree that we should try to negotiate these arrangements with reasonable speed, once Sir John King has let us have his definitive reply.

However, I should recall the note of warning which I sounded in my letter to Norman Lamont on 29 July about the attitude of the French Government. We must remember that their formal position, as set out in the French Minister of Transport's letter received by Norman Lamont on 6 September is as follows:

'I cannot accept that the Governments should withdraw and transfer their responsibilities to the airlines.'

The French are clearly suspicious that we are intending to withdraw from involvement in the Concorde programme, leaving them to support the project by themselves. They may also be concerned that under the new arrangements British Airways could terminate Concorde operations at any time without consultation, whereas at present this is a matter for the two governments under the terms of the 1962 treaty. Without French co-operation under the Treaty, we cannot of course proceed with the transfer of in-service support costs to BA.

I recognise that French officials have a good understanding of our intentions through informal contacts between Norman Lamont's officials and the French Department of Transport. I understand that we have explained to the French that our new arrangements need not affect the existing cross-Channel

/contractual

Rt Hon Leon Brittan Esq QC MP  
Chief Secretary  
HM Treasury  
Parliament Street  
LONDON SW1

CONFIDENTIAL





contractual ties. I know that we intend the Treaty should remain in force, and that the Concorde management board should continue to meet. There is thus a fair prospect of persuading the French that their fundamental interests will not be adversely affected. But we will have to be careful how we approach them if we are to succeed in persuading them of our point of view. That approach should not be long delayed if our negotiations with BA and the French are to be kept in phase: it would clearly be embarrassing and potentially dangerous if our commitments to BA got out of line with those to the French.

As soon as Sir John King's reply is received and there has been a chance to consider it, I should therefore like our officials to discuss what to say to the French and at what level. It might be best for a senior official to visit Paris to make our opening bid, or for the Ambassador to take this on. Our initial approach could be followed by technical discussions in the Concorde Management Board. Meanwhile we have asked the Embassy to consider what arrangements for the future of the project would satisfy the French once BA have taken on support costs.

A final point. I hope that we can show some flexibility in our negotiations with BA on the date of the hand-over of responsibility to them. As I said in my letter of 29 July to Norman Lamont, if BA withdraw Concorde from service because we refuse to offer support for a few more months we would be subjected to very considerable criticism both at home and abroad.

I am copying this letter to the recipients of yours.

*Yours ever,*  
*Malcolm Rifkind*

Malcolm Rifkind



Parliament des États  
Select Committee Concordo



7 DEC 1982







Prime Minister (4)

MES 25/11

Treasury Chambers, Parliament Street, SW1P 3AG

Norman Lamont Esq MP  
Minister of State  
Department of Industry  
Ashdown House  
123 Victoria Street  
London SW1E 6RB

*If they make no loss  
(and I hope they do) let them  
retain those profits*

25 November 1982

*2 Norman,*

FUTURE OF CONCORDE

Thank you for sending me a copy of your letter of November 11 to Iain Sproat, enclosing a draft letter for you to send to Sir John King. I have seen Iain Sproat's reply of November 19. I have no comments on the draft but would like to make a couple of points about Sir John King's letter to Iain Sproat.

Sir John King raises the question of the current arrangements for sharing cumulative profits and suggests that if British Airways accepts the in-service support costs from a mutually agreed date it should retain all future profits. We do not need to settle this now but I would suggest that our attitude will be partially dependant upon the date that British Airways are willing to take over the in-service support costs.

If they are willing to accept them from our proposed date of April 1983 then I think we can be relatively forthcoming. However, if they insist that they cannot accept these costs until April 1984 and the Government ended up paying up to £10 million of support costs in 1983-84 I would be less favourably disposed to BA retaining all future Concorde profits.

On the actual date of takeover I am sure that it is right to continue to take the line with BA that the Government's position is that the transfer of in-service support costs should take place by April 1983. This will keep up the pressure on the airline and the manufacturers to secure maximum savings in these support costs. This will be a benefit to the public sector and a real resource saving to the economy.

You will recall that following the last round of correspondence it was the general view that Concorde should be kept flying. As BA will not now be privatised in the next financial year the question of whether the Government or BA bears the in-service support costs next year is a second order one. The costs will be



incurred within the public sector and so our focus should be on arrangements that cause the least disruption. My main concern now is that the arrangements should be settled fairly quickly so that BA can concentrate on operating Concorde services profitably in the run up to privatisation. I therefore hope that we can negotiate the terms of future support for Concorde and announce a decision quickly after we have BA's final response to the proposals that we put to them.

One final point. Sir John King talks in the ante-penultimate paragraph of his letter about a "reduction in the depth of the indemnity safety net provided by HMG". He is clearly envisaging some Government indemnities continuing after the transfer of in-service support costs to BA. This is unacceptable since our objective is to withdraw completely from responsibility for Concorde and continuing indemnities would be inconsistent with this. As it is unlikely that the unconditional indemnity will ever be called I do not see why the airline and manufacturers need to be so concerned about HMG withdrawing it.

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



LEON BRITTAN

Parliament

Concordie

Dec 80

25 NOV 1980

12  
11  
10  
9  
8  
7  
6  
5  
4  
3  
2  
1