

CONFIDENTIAL

Parliament
20 30



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 5902
SWITCHBOARD 01-212 7676

From the
Minister of State
Norman Lamont MP

The Rt Hon Patrick Jenkin
Secretary of State
Department of Industry
Asndown House
123 Victoria Street
London SW1

MBPM

MS 21/12

20 December 1982

Dear Patrick

THE FUTURE OF CONCORDE

... I was grateful for colleagues' comments on the draft PQ and on my letter to M Fiterman. I now enclose for the record, final texts of both documents.

... Arthur Cockfield, in his letter of 14 December to Leon Brittan, suggested that we should not make a statement now since it should not take much longer to get the terms of the transfer settled. However, John King's reply of 13 December, which was received after he had written and which I also now attach, has proposed a long list of conditions which could lead to protracted negotiations. In order to keep Parliament informed and to forestall the questions which would inevitably have arisen, it seemed better to make a statement now.

Officials are now studying the BA reply and I understand that an interdepartmental meeting is being arranged for early in the New Year with a view to presenting conclusions to Ministers collectively at the earliest practicable date.

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

*Yours -
Norman*

NORMAN LAMONT



DRAFT

To ask the Secretary of State for Industry, whether British Airways have now made proposals to take over the present Government responsibilities for financing Concorde in-service support, and when he expects a decision on the future arrangements to be announced.

Mr Lamont

The Chairman of British Airways has recently written to my hon Friend, the Parliamentary Under-Secretary of State for Trade (Mr Sproat), indicating that the airline has considered the question of continuing Concorde operations on a commercial basis and concluded that British Airways could take over the future costs of supporting Concorde in-service subject to agreement being reached on a number of points.

The Government welcomes the airline's conclusion. British Airways proposals on these points will now be studied by the interested parties along with a number of other related issues. The French Government will be consulted on the Anglo-French aspects of any new arrangements. Until this process is completed it would be premature for me to say when a further statement might be made to the House.



From the
Minister of State

Norman Lamont MP

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
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M Charles Fiterman
Ministre d'Etat
Ministre des Transports
246 Boulevard St-Germain
75700 Paris
France

15 December 1982

Dear Mr Fiterman

Thank you for your letter about the future of Concorde, which I received on 6 September. I thought it best to delay writing until I was able to give you a further explanation of our position.

I do, of course, understand that, in recognising at our meeting on 6 May that the question of a termination of the Concorde project will have to be contemplated sooner or later, you were not indicating that the French Government wished to proceed immediately to examine possible arrangements for termination. Indeed you confirmed that the French Government is still prepared to continue operation of the Air France aircraft. Given the financing arrangements now made for 1983 and described in your letter, the question of a possible agreement by both Governments to detach themselves from the project and to terminate the 1962 Agreement is clearly unlikely to arise for some time.

For our part, in my letter of 6 August I said that the British Government had asked British Airways whether they wished to take over responsibility for funding in-service support of Concorde by the British manufacturers. The Government has now received a definitive reply from British Airways. I attach a copy of the announcement I am making to Parliament on 17 December about this. You will see that the British Government has no wish to bring about the termination of Concorde services, and has indeed welcomed British Airways conclusion that the airline could take over the future costs of supporting Concorde in-service subject to agreement being reached on a number of points. Our objective in making new arrangements for in-service support in Britain is only to ensure that all the costs of Concorde are borne by those



who use the service, and not by the British taxpayer, and to enable the future of Concorde in operation with British Airways to be determined on a fully commercial basis.

We do not therefore envisage either withdrawal from the 1962 Agreement, or from such institutional machinery as is still judged necessary for the performance of residual functions under the Treaty, or from the existing contractual relationships between British and French manufacturers and between the British manufacturers and Air France. But the extent of official involvement, already much reduced now that in-service support programmes are running on smooth and largely predictable lines, will be somewhat less pronounced in the future. Our intention to continue with the 1962 Agreement, appropriate machinery for Anglo-French oversight, and the existing Anglo-French contractual arrangements does, I hope, meet your understandable concern that the carrying out of our proposals might leave the French Government in an unacceptably exposed and isolated position.

Traditionally, the financial and contractual aspects of Concorde have been regarded as national matters. I attach importance to the spirit of co-operation between us, and should like us both to be assured that our two Governments are satisfied with the arrangements to support Concorde in our two countries, and on the role of British and French officials on this. I therefore propose that we ask the Concorde Management Board to prepare and present an early report on these matters.

With best wishes

Yours sincerely

Norman Lamont

NORMAN LAMONT

**British
airways**



PO Box 10
Heathrow Airport (London)
Hounslow TW6 2JA
Telephone: 01-759 5511
Telegrams: Britishair

Chairman: Sir John King
13 December 1982

Iain Sproat, Esq., M.P.,
Parliamentary Under Secretary of State,
Department of Trade,
1 Victoria Street,
London SW1H 0ET.

Iain Sproat

TO	MR CLARK	DATE	12/15/82
FOR	MR CLARK	BY	PS/MR KENNEDY
RE			PS/SECURARY
			MR KNIGHT
			MR CRANE
			MR BLAKE
PLEASE BY:			MR HUGHES
			MR ROBERTS
			MR FORBES
			MR MACDONALD
			MR LAURENCE

FUTURE OF CONCORDE

In my letter of 18 October I undertook to propose how British Airways could comply with HMG's requirement that the Airline take on the costs of maintaining Concorde in service hitherto borne by Government, thus enabling Concorde operations to continue.

At its 3 December meeting, the British Airways Board reiterated its intention to make its proposal on strictly commercial grounds and concluded that BA could take over HMG's role with the UK manufacturers of Concorde on the following basis:-

- 1 The 80/20 operating profit sharing arrangement to be abrogated from the date BA takes over support-cost responsibility.
- 2 This date to be that by which the present contractual arrangements between Government and Manufacturers have been transferred (after appropriate revision) to BA.
- 3 Contract renegotiation to be initiated straight away, with the firm intent of completion as soon as possible. Meanwhile existing contracts to continue.
- 4 An assurance that BA would, at most, be expected to bear only its share of the costs of contract re-negotiation.
- 5 With effect from completion of renegotiation, BA to be given access to the existing stock of spares at nominal charge. (BA's view is that the stock has only scrap value unless Concorde continues).

/continued.....

Iain Sproat, Esq., M.P.

- 6 BA to be relieved from funding those items of expenditure which are essentially concerned with Concorde's design and production rather than with its in service support. These items are mainly:-
 - a structural and material testing, in particular the Major Fatigue Specimen Test being undertaken at Farnborough.
 - b Costs of disposal of unwanted production facilities.
 - c Costs of administration by HMG of the Concorde project.
 - d Flight test support.
 - e Restoration of the spares lost in the fire at British Aerospace, Weybridge, for which (it is understood) insurance compensation has been made.
- 7 HMG commitments on insurance, indemnities and product liability as set out in "Clause 9" of the Manufacturers Contracts to remain in effect to the extent necessary to provide a safety-net beyond the cover (£165m) BA would expect to take over.
- 8 HMG to continue to accept any redundancy liabilities to UK manufacturers implicit in any future decision to terminate Concorde operations (BA has made no allowance for this liability in assessing the future viability of the project).
- 9 HMG to re-affirm the UK undertakings to the French Government in the 1962 Treaty; and HMG to ensure that the lower level of in-service support BA has in principal agreed with the UK manufacturers is acceptable also to the French. BA would wish to be indemnified by HMG against any extra costs arising from lack of such acceptance or any other obligation to the French that would affect the basis of BA's assessment of Concorde's viability.

An important assumption underlying the above proposal is that suitably revised contracts can be negotiated. In my previous letter I said that British Airways, Rolls Royce and British Aerospace all thought that contract re-assignment would prove so lengthy that it might well delay unacceptably the date on which the Airline could take on HMG's role.

/continued.....

Iain Sproat, Esq., M.P.

In now offering to attempt re-negotiation, I am responding to your letter of 19 November which emphasised that Government would greatly prefer British Airways responsibility for in-service costs to be on the basis of contracts directly between Airline and Manufacturers.

Your November letter also seemed to suggest HMG recognises that British Airways acceptance of support-cost responsibility may have to be later than April 1983 because of the complexity of re-negotiation. In our present judgment (we have not yet seen all the contracts) re-assignment may not be accomplishable before later 1983/early 1984. However, British Airways would, of course, consider accepting support-cost responsibility at an earlier date if HMG were to agree that the proposed basis for acceptance, summarised in points 1 and 4-9 above, could be effective whilst contract re-assignment was being negotiated.

I shall be pleased if you will signify if you find these proposals acceptable. If so, contract re-negotiation can commence straightaway.

Iain Sproat

John King
John King

Parliament:

Select comm: on concorde.
Dec 1980

21 DEC 1982



Parliament



Prime Minister (2)

MUS 17/12

Treasury Chambers, Parliament Street, SW1P 3AG

Jr. Rhodes Esq
Private Secretary to the
Rt Hon Lord Cockfield
Secretary of State
Department of Trade
1 Victoria Street
London SW1H 0ET

17 December 1982

Dear Jr.

THE FUTURE OF CONCORDE

I understand that your Secretary of State has now withdrawn his objections to a Parliamentary statement and arrangements are being put in hand to table the question. This letter is simply to confirm that the Chief Secretary is content with the draft reply circulated by Mr Lamont on 7 December.

I am sending copies of this letter to the Private Secretaries of the Prime Minister, Members of E(EA), the Secretary of State for Industry, Lord Trenchard (MOD) Mr Rifkind (FCO), Mr Sproat (DOT) the Chief Whip and to Sir Robert Armstrong.

Yours sincerely

Jr. Gieve

JOHN GIEVE
Private Secretary

Parliament - Select Committee on
Concorde

7 DEC 1982

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From the Secretary of State

Prime Minister

(2)

MCs 14/12

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The Rt Hon Leon Brittan QC MP
 Chief Secretary
 HM Treasury
 Treasury Chambers
 Parliament Street
 London
 SW1P 3AG

14 December 1982

Dear Chief Secretary

ms

THE FUTURE OF CONCORDE

I am writing to you with reference to your letter of 25 November to Norman Lamont and his letter of 7 December to Iain Sproat.

I can see no advantage and plenty of disadvantage in a Parliamentary Question. The important thing is to get the terms settled. This should not take much longer and we should then be in a position to make a definitive statement. To start making statements now would simply take the heat off; and possibly lead to misunderstandings.

The most important point is whether support ceases on 31 March 1983 or continues to a later date. This in turn will be a determining factor in deciding the future of the 80/20 profit sharing arrangement: although in this my own view is that the termination of that arrangement should coincide with whatever date is chosen for the cessation of support.

I am copying this letter to Norman Lamont and the recipients of his letter of 7 December.

Yours sincerely
 John Whitehead

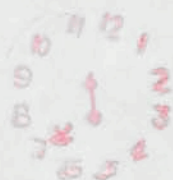
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LORD COCKFIELD

Approved by the Secretary of State and signed in his absence

PARLIAMENT: Select Committee report on
Concordat: December 1980

14 DEC 1982



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Parliament ✓ 32
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DEPARTMENT OF INDUSTRY
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From the
Minister of State
PS/Norman Lamont MP

Ms Ruth Thompson
Private Secretary to
Mr Sproat
Parliamentary Under Secretary
of State
Department of Trade
1 Victoria St
London SW1

MBPM
MS 8/12

9 December 1982

Dear Ruth

FUTURE OF CONCORDE

... As promised in Mr Lamont's letter of 7 December to Mr Sproat, I attach a copy of the letter Mr Lamont proposes to send to M Fiterman on Concorde.

I understand that British Airways are on target to provide a definitive response to the Government no later than 13 December, which we hope will allow us to answer the proposed PQ and reply to M Fiterman later that week. We should therefore be grateful for any comments on the draft PQ and answer and letter to M Fiterman by 13 December.

I am copying this letter to Michael Scholar, and the private secretaries to the members of E(EA) and to Mr Biffen, Mr Rifkind, Lord Trenchard, the Chief Whip and Sir Robert Armstrong.

Yours,
John

JOHN ALTY
Private Secretary

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DRAFT LETTER FOR MR LAMONT TO M FITERMAN

Thank you for your letter about the future of Concorde, which I received on 6 September.

I do, of course, understand that, in recognising at our meeting on 6 May that the question of a termination of the Concorde project will have to be contemplated sooner or later, you were not indicating that the French Government wished to proceed immediately to examine possible arrangements for termination. Given the financing arrangements now made for 1983 and described in your letter, the question of a possible agreement by both Governments to detach themselves from the project and to terminate the 1962 Agreement is clearly unlikely to arise until towards the end of next year at the earliest.

For our part, in my letter of 6 August, I said that the British Government had asked British Airways whether they wished to take over responsibility for funding in-service support of Concorde by the British manufacturers. The Government has now received a definitive reply from British Airways. I attach a copy of the announcement I am making to Parliament on 17 December about this. You will see that the British Government has no wish to bring about the termination of Concorde services, and has indeed welcomed British Airways intention to continue. Our objective in making new arrangements for in-service support in Britain is merely to ensure that all the costs of Concorde are borne by those who use the service, and not by the British taxpayer, and to enable the future of Concorde in operation with British Airways to be determined on a fully commercial basis.

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However we do not envisage either termination of the 1962 Agreement, or of such institutional machinery as is still judged necessary for the performance of residual functions under the Treaty, or of the existing contractual relationships between British and French manufacturers and between the British manufacturers and Air France. But the extent of official involvement, already much reduced now that in-service support programmes are running on smooth and largely predictable lines, will be somewhat less pronounced in the future. Our intention to continue with the 1962 Agreement, appropriate machinery for Anglo-French oversight, and the existing Anglo French contractual arrangements does, I hope, meet your understandable concern that a total British Government withdrawal might leave the French Government in an unacceptably exposed and isolated position.

Traditionally, the financial and contractual aspects of Concorde have been regarded as national matters. In order, however, that we can rest assured that our two Governments are satisfied with the arrangements to support Concorde in our two countries, and on the role of British and French officials in this, I propose that we ask the Concorde Management Board to prepare and present an early report on these matters. They can then also advise us as to whether we should meet to consider that report or any other matters that may have a bearing on Concorde's future.

- 8 DEC 1982

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