



From the
Minister of State

Norman Lamont MP

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

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

4 March 1983

Dear Iain

THE FUTURE OF CONCORDE

Thank you for your letter of 24 February, with which you enclosed a copy of one that you had sent the previous day to John King. I wrote to Austin Pearce and Frank McFadzean on 25 February, and enclose copies of my letters. French officials were informed later that day of our decisions: and on Monday 28 February MOD(PE) gave the manufacturers formal notice of termination of the Government's contracts to take effect from 31 March 1984. All that therefore now remains to be done is to make our decisions public through an arranged PQ, and to let the Select Committee on Industry and Trade know of this announcement beforehand.

You also enclosed a redraft of the PQ, to take account of certain suggestions by Malcolm Rifkind. I agree with these. I do not, however, consider that realistically we could - or should - make no public mention that the fact that the Government has given notice of termination of existing contracts. This is, of course, already known to the two British contractors; and they in turn have been formally instructed, under the usual procedures in these matters, to review obligations and reduce further expenditure to the minimum, a review which it is stated will usually involve their cancelling purchases of unwanted materials, terminating sub-contracts, and the disposal of surplus materials and equipment. News of the termination will therefore quickly become known throughout a wide sector of British industry and indeed, through the French authorities and manufacturers, also in France. It is therefore likely to become public knowledge within a very short period indeed.

Malcolm Rifkind does, however, have a point in suggesting that the wording of the original draft answer could imply - erroneously - that the Government has already decided to ground Concorde if the talks with British Airways fail. To meet his objection I have reworded the passage to give the same - unexceptionally - reason for the Government's decision as in my letters to Austin Pearce and Frank McFadzean.



On this basis, I will now arrange for the PQ to be tabled as an Ordinary Written Question and for it to be answered on Monday, 7 March. This will allow time for me to send Donald Kaberry a letter forewarning the Select Committee of the proposed announcement, and to advise them of the possibility of exploratory discussions with British Airways, which are referred to only very obliquely in my proposed Answer.

Your letter, and those from Leon Brittan and Malcolm Rifkind, contains suggestions as to the approach which officials should adopt in the exploratory discussions, whilst the Treasury and FCO letters also raise the hypothetical question of what would happen if the Government and British Airways cannot agree.

In correspondence with British Airways and the manufacturers, Ministers have already laid down positions on a number of points, eg for a British Airways contribution, for direct contracts, and for spares and other property to be passed over only on commercial terms, of which officials will need to take account. However, by far the most important of these is the decision, referred to in your letter to John King, to switch funding proposed for 1984-85 onwards for Concorde to launch aid for the Westland 30 helicopter project. We shall, of course, have to find some - pretty marginal - amounts in PES 1983 for the net costs of terminating existing contracts if British Airways assume Government responsibilities, and a good deal more if in-service support activities are shut down and Concorde grounded. But without PES provision to meet costs for on-going activities beyond the end of 1983-4, many of the expectations in John King's letter of 13 December are likely to be unfulfilled; and, if this were to prove a sticking point with the airline, we could well be in for a fundamental review of the kind referred to by Leon Brittan.

I see no point in our speculating now, before the exploratory discussions have even begun, on what might be decided by Ministers collectively should negotiations fail. However, I can confirm that notices of termination could in theory be withdrawn. But whether the Government of the day would withdraw them, if the then estimates still confirm current judgements of British Airways financial ability to take on the Government's responsibilities, is an entirely different question.

I am copying this letter, with enclosures, to the Prime Minister, the members of E(EA), John Biffen, Malcolm Rifkind, Geoffrey Pattie, Michael Jopling and Sir Robert Armstrong. In the absence of comment by close of play on 4 March, I shall take it that colleagues are content.

NORMAN LAMONT

*Yours
Norman*



TS/1/072

DRAFT ARRANGED WRITTEN PQ ON CONCORDE

To ask the Secretary of State for Industry, whether he will make a statement about the funding of in-service support for Concorde in the financial year 1983-84.

Mr Lamont

As I announced on 17 December 1982 British Airways have concluded that the airline could take over the future costs of supporting Concorde in-service, subject to agreement on a number of points. To allow for the completion of discussions on these points, for the negotiation of contracts between the airline and the manufacturers, and for further discussion with the French Government, the Government has decided to continue to fund in-service support during 1983-84. The extent to which British Airways would contribute to such costs will be discussed with the airline. To give the maximum time possible for the negotiation of new contracts, under which support can be continued in accordance with the requirements of both British Airways and Air France, the Government has also given British Aerospace and Rolls-Royce formal notice that HMG's contracts for in-service support of Concorde are being terminated with effect from 31 March 1984.

PERSONAL



From the
Minister of State

Norman Lamont MP

PS/Sec of State
PS/Mr Butcher
PS/Secretary
Mr Sterling
Mr Croft
Mr Hudson
Mr Treadgold
Mr Bradbury EC
Mr Stredder Air
Mr MacTavish
(on file)

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 5902
SWITCHBOARD 01-212 7676

Lord McFadzean of Kelvinside
Chairman
Rolls Royce Ltd
65 Buckingham Gate
London
SW1E 6AT

25 February 1983

Dear Friend

FUTURE OF CONCORDE

You will by now have seen Iain Sproat's letter of 24 February to Sir John King setting out the Government's reaction to the proposals contained in Sir John's letter of 13 December. I would like to add the Government's appreciation of the considerable effort which you and your staff have put into assisting British Airways and the Government in considering the future of Concorde.

Our suggestions as to how this work could be carried forward are set out in Iain Sproat's letter. My purpose in writing is to let you know personally of the Government's awareness of the need for early resolution of current uncertainties about Concorde's future, and for the proposed transfer of Government responsibilities to be effected in an orderly and harmonious manner. Our decision to extend funding beyond 31 March 1983, which will I know be welcome to you and your colleagues and to the company's workforce, was taken in this spirit.

I also wanted to let you know that similar considerations lay behind our decision, of which I shall shortly be informing Parliament, that formal notice of termination of existing contracts should be given now. This will give the maximum time possible for the negotiation of new contracts under which support can be contained in accordance with the requirements of both airline customers and their engine overhaul agencies.

The letters from the Procurement Executive of the Ministry of Defence giving formal notice will be sent to the company early next week; and I shall not be making the proposed statement to Parliament until they have been sent and the French Government informed of these developments.

*Yours
Norman*

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Sir Austin Pearce CBE
Chairman
British Aerospace PLC
100 Pall Mall
London SW1

25 February 1983

Dear Tim

FUTURE OF CONCORDE

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Parliament,
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Concordia.

4 MAR 1983

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