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10 DOWNING STREET

From the Private Secretary

Prime Minister

BAe 146 : Lord Young's Mission.

The RAF confirm that they can provide an aircraft. But I cannot get their charges down below £150,000. I have been into the estimate quite carefully, and it is actual costs: mostly flying time of 55 hours at £1850 an hour.

2. BAE are not persuaded that it is worth that much to take an aircraft again, when they already had one ~~the~~ in China only 6 months ago. Sir Austin Pearce offers only £50,000.

3. Do you feel strongly enough about this to insist that the

£100,000 difference be borne by
Government departments (the DTI, mainly)?
Or should we let it drop?

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(Don't think we
can ask £150,000,

The idea will have to
drop

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10 DOWNING STREET

From the Private Secretary

11 February 1985

Lord Young's Trade Mission to China: BAe 146

Thank you for sending me a copy of Sir Austin Pearce's letter to Lord Young. I have subsequently spoken to the Ministry of Defence.

The gap between what BAe are prepared to pay (£50,000) and the MOD estimate (£150,000) remains large. The MOD estimate is in fact an actual costs estimate most of which can be ascribed to 55 hours of flying at something over £1,800 an hour. The Prime Minister thinks it would be hard to justify meeting the difference of £100,000 from public funds and regretfully concludes that the idea of sending a BAe 146 to China will have to be dropped unless someone can come up with a cheaper solution.

Charles Powell

Leigh Lewis, Esq.,
Office of the Minister Without Portfolio.

JR

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cc Mr Powell (No. 10)
Mr Hall (BTS)
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From the Chairman,
SIR AUSTIN PEARCE, CBE

The Rt Hon Lord Young of Graffham,
Minister without Portfolio,
Cabinet Office,
70 Whitehall,
London, SW1A 2AS.

7th February, 1985.

CABINET OFFICE
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07 FEB 1985
FILING INSTRUCTIONS
FILE No.

Dear Lord Young,

Thank you for your letter of 25th January and I am pleased to know that John Glasscock has been included in your mission for the forthcoming visit to China.

I understand that he has already been in touch with your officials in D.T.I. about our projects in China and perhaps you will not wish to be concerned with the details at this stage. However, he will wish to pursue our military and civil aircraft interests together with certain missile projects with the appropriate authorities in Beijing and also with representatives of the regional airlines in Shanghai and Canton. As you will know we have high hopes of concluding a 146 deal with or through the airline C.A.A.C., and this would be a most appropriate achievement during the period of your mission but we do, of course, have other civil projects which we would wish to promote. It will also be necessary to meet officials from the Ministry of Aviation Industries and in pursuit of the military interests some discussions might be useful with the Defence Departments; in this we need to be guided by your advice through the Embassy.

I hope that this information is sufficient for your immediate purpose - we are in touch with our people in Peking for a continuing up-date on the most helpful contacts which can be made on our behalf.

As you know, we are not able to provide a 146 aircraft from our own production line to transport your mission on the internal trips in China due to delivery commitments to customers in the USA, and although the Prime Minister directed that the RAF aircraft should be made available I now find that the estimated cost of such an exercise will be in excess of £175,000. This is a considerable sum recognising that it is less than 6 months since BAe had a 146 in China and visited all the key airports. We have also had a team in Beijing for some weeks and we have been told that price is the key determinant of a sale. We know the Chinese will drive a very hard bargain, added costs are therefore the last thing we need. British Aerospace will be prepared to accept up to £50,000, particularly if we are successful in our 146 sales, but even this is a substantial charge when added to our other expenditures and is as much as we feel we can absorb. Could I suggest

will request if required.

it might be appropriate if you would use your good offices to persuade the Ministry of Defence to undertake the trip as a training exercise to achieve a substantial reduction in cost which might be then shared on a more equitable basis with the other Companies forming part of your team.

Meanwhile, I send my warmest good wishes for the success of your mission.

Yours sincerely,

T. W. L.

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FEB 7 1985



10 DOWNING STREET

Charters

* Pl. keep
on file. *
(China Trade
Mission)

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Richard Mottram phoned:
"The Royal Airforce has one
H.S. 146 & one crew that
can fly it. If we were to
~~take~~ make it available it
would ~~take~~ 3 days to get
to China & 3 days to
get back. But in principle
we could do it."

Duty Clerk

4/2