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Foreign and Commonwealth Office

London SW1A 2AH

5 December 1986

Dear Tony,

CDP 57h

Courtesy Call by French Ambassador, 24 November

Airbus

In your letter of 26 November to Charles Powell reporting the call on the Chancellor by the new French Ambassador, M. Luc de Nanteuil, you recorded that M. de Nanteuil stated that both France and Germany had now agreed to provide launch aid for the A330/A340. The implication was that everyone was now waiting for the UK to make up its mind.

This is the second time that M. de Nanteuil has intervened with this inaccurate and unhelpful view of events (he did so earlier during the Anglo/French Summit in Paris on 21 November). As copy recipients of this letter know, the French position in fact is that they have not yet made a decision on launch aid but have agreed to provide Aerospatiale with 50% of their pre-launch costs. It is this initial allocation of Fr 100 million (approximately £11 million - a very much smaller sum than those which launch aid itself will involve) that Nanteuil seems to have mistaken for full launch aid.

Thus the French position is not dissimilar to our own, in that they agree that further assessment is needed on commercial and technical aspects. (The French are considering stipulating something of the order of 50 orders from 4 airlines for the A340 plus 30 from 3 airlines from the A330 as a pre-condition for the provision of launch aid.) Only then will the French Government agree to give support.

The Germans have also not formally arrived at a decision. Their position is slightly different in that they have already agreed in principle to fund 90% of the launch aid costs, but final agreement is still subject to their studying the commercial and technical viability of the two aircraft. The strong presumption is that the Germans will agree to provide launch aid of this order.

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I hope this letter clarifies the position. We have informally asked the French Embassy (who at working level share our understanding) to ensure that their Ambassador is fully briefed on the facts.

I am copying this letter to the recipients of yours.

Yours ever

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