



PM/86/054

PRIME MINISTER

Prime Minister
An elaboration of
what you might
say to the Germans
on Airbus & on
Space.
CDP 14/9.

Anglo-German Summit: Airbus and Space Projects

1. Chancellor Kohl is likely to raise Airbus and Hotol at your meeting with him. Genscher, at his meeting with me last week, put me on warning of this and stressed the importance which the Germans attach to the new Airbus projects. The briefing which you have for the Summit is however rather thin.
2. British Aerospace have not yet submitted a formal application for launch aid for the A330 and A340 but are expected to do so soon. Without launch aid (although I am sure that it need not be as much as the 90% which BAe say they want) BAe will have to withdraw from the new projects. The French are negotiating with Aerospatiale to reduce their demands. The Germans, on the other hand, have decided in principle to provide 90% launch aid. I have no doubt that the French and Germans will go ahead, with or without us. They regard it as imperative for industrial and technological reasons, and because they are determined that Boeing should not become the monopoly supplier of large civil aircraft to the world's airlines (an interest shared by the airlines, including our own).
3. Geoffrey Pattie is now considering the draft British National Space Plan. I understand that it will contain options and

/recommendations



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recommendations on the whole range of existing and potential British space activities. It will propose substantial increases in expenditure, both for "conventional" space activities, and for the revolutionary British space plane HOTOL. The latter is beyond our financial resources, and Geoffrey will argue that it needs to be collaboratively financed as a European Space Agency project. HOTOL has aroused much interest in Germany and elsewhere. It would have obvious technological and indeed political attractions. But the proposed Space Plan will cost a lot more than Airbus launch aid (which is in any case a loan repayable if the aircraft are commercially successful).

4. Genscher remarked to me at Farnborough that the arguments are about Europe's technological future. More important for us, they are about the technological future of the United Kingdom. If BAe do not participate in the A330/340, we will in effect be leaving the field of large civil airliners to the French and Germans (and Boeing). British Aerospace's reputation as a sound collaborative partner will be severely damaged (you will remember that we did ourselves no good in 1970 when the British Aircraft Corporation had to draw back from joining Airbus at the beginning, and we went instead into the ill-fated Lockheed Tristar project). I share Geoffrey Pattie's belief that we should also expand our space effort to the greatest extent possible. The trouble is that the funds are limited, and Airbus is the bird in the hand.

5. These are difficult issues, and we shall need to consider them in depth in Cabinet committee. Meanwhile at next week's

/Summit

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Summit I am sure that we should make it clear to the Germans that our minds remain open; that, given the financial prudence that is necessary for us all in this area, we favour collaborative projects in civil aviation and space provided they make technological, financial and commercial sense; and that HMG will be actively considering its position over the next few weeks.

A handwritten signature in dark ink, appearing to be 'G. Howe'.

(GEOFFREY HOWE)

Foreign & Commonwealth Office

11 September 1986

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