CDPC

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the department for Enterprise

The Rt. Hon. Nicholas Ridley MP
Secretary of State for Trade and Industry

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Dear Charles,

ANGLO-GERMAN SUMMIT: NOT THE COMMUNIQUE

Further to my letter of today, — with CDP2 I gather there is to be no formal communique or press notice to which we can contribute: I am sorry for the misunderstanding at this end.

Instead, we propose to use the short text for my Secretary of State's and Dr Waigel's report to the plenary session and to make our own arrangements to put out the longer statement - corrected version attached - in parallel with the Press Conference.

I am copying this letter to Richard Gozney (FCO) and Tancred Tarkowski (Treasury).

Yours ever

Ben.

BEN SLOCOCK
Private Secretary

Recycled Paper

STATEMENT BY MR RIDLEY AND DR WAIGEL ON INVESTMENT SERVICES AND INSURANCE

Insurance

1 Both Germany and the UK have long upheld the virtues of free trade, and believe that these apply to insurance as to other sectors. It is important that the single market for insurance should be developed in accordance with free trade principles.

2 Both States recognise that the nature of insurance makes it essential to make careful provision for the protection of consumers, and believe that this can be achieved without restrictions on the proper functioning of the single market.

3 Both States also recognise that some products of the insurance industry compete increasingly with other financial services sectors, and that it is therefore important to ensure that this competition develops on a fair regulatory basis.

4 The Commission's proposals for a single insurance licence system are aimed at achieving the objectives of:

i maintaining prudential standards and consumer protection;

ii achieving greatest possible competition, flexibility and freedom for product innovation int he interests of consumers;

iii granting consumers the widest possible choice between different competitively priced insurance products.

The two States share these objectives and intend to support the Commission in developing progressively the single licence system for insurance based on home state control. They consider that it is essential that there should be close co-operation between supervisory authorities if the principle of home country control is to work satisfactorily.

5 Mutual recognition of supervisory standards, which must be based on a minimum harmonisation, is essential for a system based on "home state control". The existing Directives already provide sufficiently for harmonised rules on solvency margins and minimum guarantee funds. The accounts directive should provide a basis for satisfactory harmonisation of technical reserves at least for non-life insurance. It is important too that there should be satisfactory safeguards for holders of life and non-life policies throughout the Community, in the event of an insurance company's being wound up.

6 Both States have noted that the Commission of the European Communities is doing further work on technical reserves for life insurance and on rules governing the investment in assets representing the reserves, and agree that this work must take into account changing circumstances in financial markets an the development of the single market in insurance and financial services.

7 Both Sates consider it important that consumers should be fully informed about the insurance they consider buying. It would be appropriate for future Directives to make provision in this area. In so far as such provisions are not harmonised, Member States should be free to impose conduct of business rules on a non-discriminatory basis to the sale of all products within their territory.

8 The two States agree that adequate consumer protection can be assured through strict prudential supervision supported as necessary by conduct of business rules and, in limited cases, by prohibition of products on public policy grounds.

__Financial Services__

9 UK and FRG Ministers consider that the completion of the single market in financial services is an important goal. Both countries will aim for early completion of the

negotiations on the draft Investment Services and proposed Capital Adequacy Directives so as to bring them into effect at the same time as the Second Banking Co-ordination Directive. In negotiating and implementing these directives on the basis of home country authorisation, the Governments agreed to show mutual respect for the different nature in each country of companies providing investment services and of the competent authorities who regulate them. It was agreed that capital requirements for those providing investment services should be related to the risk involved in trading financial instruments whatever the nature of the institution. The requirements should have equivalent effect on banks and non-banks.

JW3AJZ

MJM/LAC/L4b

29th March 1990

TriStar Majors

1. The tender was issued in October 1989.

2. The tender had been drawn up in such a way that it was completely impossible for a Company like Marshall to submit a compliant bid, ie., an enormous additional spares holding would have been required in order to guarantee turn-round times and avoid the penalties. The request that the cost of component overhaul should be based on a cost per flying hour could only be ~~made~~ met by an airline already operating a large fleet of TriStars. Additionally, we have the only approved TriStar Pilots for the converted aircraft and the requirement for Pilots was deliberately excluded from the tender in order to enable others to tender.

3. We are regularly used by the RAF for drop-in maintenance problems and have only in the last few days had to supply Flight Crews in order to fly the aircraft from Brize Norton and back. When the current contract ends our facility for doing this will no longer be available.

4. We were specifically told that non-compliant bids would be put in the rubbish bin and the minutes of the meeting, at which this was said, recorded that bidders were advised that there was a possibility that non-compliant bids might not be considered acceptable and were recommended to submit only compliant bids.

   In order to comply with the tender, it would be necessary for MBB or any other competitor to have their own fully funded stock of £20 million or more of spares and exchange components.

   There is the further complication that we are the Design Authority for the aircraft and, as such, have to supervise the configuration control to ensure that a straightforward Lockheed repair is not carried out as it could totally undo all the structural integrity loads of the modified tanker/freighter aircraft.

Plus technical lead will leave UK, MBB is Deutsche Airbus, Trade balance, RAF v. exposed later.