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FROM: CHIEF SECRETARY

DATE: 4 August 1986

PRIME MINISTER

AIRBUS A330/A340 PROJECTS

I have seen a copy of Paul Channon's recent minute to you reporting the possible scale of the British Aerospace (BAe) bid for launch aid. The minute gives no indication of a possible phasing of any payments. But given the sheer scale of the bid, which would amount to some £750 million, the consequences of the Government agreeing assistance of anything like this order would pose very major difficulties on the public expenditure front. There is currently no provision in the DTI baseline for new launch aid contracts. In these circumstances I could only agree to meeting the costs if Paul could make offsetting savings elsewhere on DTI programmes which I recognise would obviously be very difficult.

2 I am also sceptical about the launchaid figures which BAe say their German partners are confident of obtaining. Our information is that the German Government is concerned about the public expenditure involved and that each of the individual Airbus partners is engaged in a game of putting pressure on its own Government by claiming that the other governments have agreed to participate.

3 But, in any case, I do not think we should agree to provide any significant degree of launch aid for these projects. BAe are now a highly profitable private sector organisation with a strong balance sheet. If they wish to continue to participate then they should find the money, not the taxpayer. This is essentially a matter for commercial decision by BAe.

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3
CCBQ
2
Pur Minute

You have already asked the

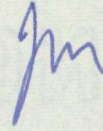
DTI about the point at para 2-1

the Treasury minute

dv
4/8

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4 I am copying this minute to Paul Channon, Geoffrey Howe,
George Younger, Norman Tebbit and Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to be 'Jm' or 'John MacGregor'.

JOHN MacGREGOR

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AEROSPACE AIRBUS PT2

LONDON
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