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c. Mr Norgrove (who will wish to note x)  
1. CDP to see

CABINET OFFICE  
E 0175  
7 OCT 1986  
FILING INSTRU  
FILE No.

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MR UNWIN

cc Dr Walker  
Mr Roberts

Mr Wiggins

Noted, thanks. As a when this does come forward, it will presumably have to be treated as a claim on the Reserve.

Airbus

7/11/86

I asked Mr Michell (DTI) about the current position on the expected application for launch aid for the Airbus A330 and A340 models.

2. No formal application has yet been received from British Aerospace. Although there have been press reports that the Board of Airbus Industrie would shortly be taking key decisions on the proposed new developments, there is actually no prospect of this happening. DTI now expect to get the application for launch aid in about 10 days' time, and will then have to do a good deal of ground-clearing at official level before any paper goes to E(A), probably some time in November. I have asked to be kept in touch with developments.

3. So far as the present financial position of Airbus Industrie is concerned (the topic was raised at the last Anglo-German Summit), the cash shortage is no larger than usual. However, the German and French Governments will need to consider before long whether or not to write-off the loans made at the early development stage of Airbus, before British Aerospace joined the consortium. Mr Michell's view is that these loans will have to be written-off, but the terms of British Aerospace's membership of the consortium explicitly protect the UK from any responsibility for them. However, Mr Michell would clearly not be surprised if

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at a later stage British Aerospace asked to be released from the obligation to repay DTI loans towards the costs of the later had joined the consortium; but this issue is unlikely to arise in the near future.

4. As to Airbus Industrie's current trading results, these are said to be disappointing because competition from Boeing and McDonnell-Douglas - particularly Boeing, who are dumping the 737 - is forcing large discounts in the price of the A320 in order to secure any sales. If the A320 cannot quite be said to be being sold 'at a loss', at the least the contribution earned towards meeting the development costs is disappointing.

JW

A J WIGGINS  
7 October, 1986

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