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AEROSPACE: SPACE POLICY

PT 2

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From: J B UNWIN
3 March 1987

MR MONGER

cc Mr Norgrove - No 10
Dr Walker

COPY FOR

SPACE, AIRBUS, HELICOPTERS ETC

I have discussed developments with Alastair Macdonald at DTI. The position in brief is:-

(i) Space: DTI hope to have a paper for E(A) on the lines agreed by the end of this week;

(ii) Airbus: because of Mr Channon's absence, no follow-up action has been taken so far. The tentative plan, however, is for Mr Channon to meet British Aerospace next Monday and hand over a letter setting out the Government's proposal;

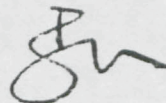
(iii) Helicopters: Sir John Cuckney has asked to see Messrs Channon and Younger again next Monday. The likelihood is that he will say that the EH 101 offer is inadequate; unless it is brought forward, or other orders interposed, Westland will have to close all or most of their helicopter business, including the 2,000 jobs at Weston-Super-Mare. The choice will then be between letting this happen or finding extra cash (probably from the Reserve) to bring forward orders and fill the gap.

2. We must decide how to handle this in relation to E(A). We have provisionally booked an E(A) slot for after Cabinet on Thursday, 12 March. It is clear, however, that neither the Airbus nor Helicopter papers will be ready by then. The Space paper should, however, be available. We had hoped to be able to take them all together, so that Ministers could consider the competing priorities together. But I suspect that the Airbus and Helicopter

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issues could drag on for several weeks. The Prime Minister may well in any case wish to have a further discussion of either or both of them in a small Group before they go to E(A).

3. The choice is between taking Space on its own at E(A) on 12 March (provided the paper is in reasonable shape by early next week) or postponing it until the other issues (or at least Airbus) are ready. I am inclined to go for the former. We shall have achieved our objective of ensuring that the other competing claims are in the key Ministers' sights, and we can brief the Prime Minister on the latest developments. But I should be glad to know whether Mr Norgrove sees any objections.



J B UNWIN