



CONFIDENTIAL
COMMERCIAL IN CONFIDENCE
MARKET SENSITIVE

CC. S. Cruise

PRIME MINISTER

Prime Minister²

For information at this stage. A meeting may well be needed next week.

AIRBUS A330/A340 LAUNCH AID

DLW

13/3

with PM

I have seen John MacGregor's minute to you of 11 March questioning my proposal that I be authorized to attempt to reach a settlement with British Aerospace before 13 March on a conditional offer of £500m in launch aid.

2 I should first of all report that I wrote to Sir Austin Pearce of BAe this morning formally offering £400m in launch aid and requesting a reasoned response from him. So far this has not been received, and all the indications are that the offer will be rejected by the BAe Board.

3 Our Embassy in Paris have heard informally today from a contact in the Elysee that it is highly likely that Airbus Industrie will announce at the meeting of its Supervisory Board on 13 March that appropriate conditions, in terms of airline customers, now exist for launching the A330/A340 programme. This probably means that Aerospatiale, the French partner, is ready for such an announcement. My officials heard from their German colleagues yesterday that MBB, the German partner, is expected to support the launching of the programme, subject to financial support from the German Government. British Aerospace consider that supporting an Airbus Industrie resolution concerning the launch of the A330/A340 would lock them into the new programme morally if not legally. This is the main reason

JF4ARX



CONFIDENTIAL
COMMERCIAL IN CONFIDENCE
MARKET SENSITIVE

why they have been pressing the Government to make an acceptable launch aid offer by 13 March.

4 As far as Governments are concerned, Ministers of all four Airbus partner countries have told Airbus Industrie that no firm decisions are to be expected from Governments on financial support for the A330/A340 before the meeting on 13 March. This should mean that any decision to launch the programme will be subject to negotiations with Governments on financial support, but the French, German and Spanish companies, since they are wholly or partly publicly owned, have a higher degree of confidence in obtaining the necessary backing than BAe.

5 If Airbus Industrie do make a launch announcement on 13 March, there will obviously be increased pressure on Governments, especially the UK Government, to take decisions before the end of March on the provision of financial support. We could well face problems in Parliament, including ones with our own supporters, if agreement with BAe is not reached very soon. The speculative report in today's Guardian that the Government had made an offer of less than £400m in loans for the A330/A340, and that the offer was unacceptable to BAe, was unhelpful in this respect. I think it would be wrong, in answer to a direct Question in the House, not to say that I had made an offer to the Company, and that this was under discussion with them. However, no Question of this nature has so far been asked, and the DTI Press Office, and British Aerospace, are continuing to take the line that BAe's request for launch aid is still under discussion, and that decisions will be taken as soon as possible.

JF4ARX



CONFIDENTIAL
COMMERCIAL IN CONFIDENCE
MARKET SENSITIVE

6 I should like to point out, with regard to John MacGregor's comment concerning the conditions of any launch aid, that my offer of £400m was made on the same terms and conditions as the original offer of £300m, and that I would not make any increased offer without the accompanying conditions.

7 I shall report to you further on my negotiations with the Company in the light of any decisions and announcements by the Airbus Industrie Supervisory Board on 13 March.

8 I am copying this minute to Willie Whitelaw, Nigel Lawson, Norman Tebbit, John MacGregor and to Sir Robert Armstrong.

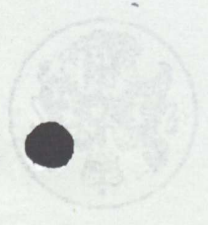
PAUL CHANNON
12 March 1987

DEPARTMENT OF TRADE AND INDUSTRY

JF4ARX

CONFIDENTIAL

CONFIDENTIAL



MARKET SENSITIVE
CONFIDENTIAL IN CONFIDENCE
CONFIDENTIAL