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Prime Minister 2

This has not been upped to other Ministers, but they are indirectly being told the substance.

Treasury Chambers, Parliament Street, SWIP 3AG

01-270 3000

(The Chancellor does not want to seem to be going behind Mr. Channon's back.)

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DLW
13/3

Dear David

AIRBUS: DISCUSSION WITH HERR STOLTENBERG

The Chancellor telephoned Dr Gerhard Stoltenberg, the German Finance Minister, this afternoon to discuss Airbus. The Chancellor explained that he was very concerned that attempts were being made to rush a decision through when there were still questions to be answered about the project's commercial and financial prospects.

Stoltenberg agreed with the Chancellor. He was coming under some political pressure himself. The German position was that they had agreed to contribute a significant amount to Airbus development, but with two important pre-conditions:

- (a) there had to be agreement with their French and UK partners; and
- (b) there had to be greater participation by the German company, as opposed to the German taxpayer.

The Germans had already made provision in their Budget for the public expenditure which would be required, but this money would not be released until the Budget Committee and the Finance Ministry were satisfied that the conditions had been met. Stoltenberg asked what the UK position was.

The Chancellor explained that no final decision had been taken yet. We had not made provision for the public expenditure in our Budget, but would be prepared to make funds available if the case were made out. However, the commercial prospects of Airbus were doubtful. HMG would require British Aerospace to take a substantial part of the risk, not leaving it all to the taxpayer. His expectation was that HMG would offer some launch aid, but possibly not enough for British Aerospace to decide to go ahead.

Stoltenberg said that, although the Germans may have got a bit further down the road than the UK, the requirement for stronger participation by the industry was important for them too. It would take the Economics Minister (Herr Bangemann) some time to reach agreement on this point - perhaps two months or more. Meanwhile, the German company always gave

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the German Government very rosy accounts of what the French and UK Governments were coming up with, so it was useful to have this Finance Minister to Finance Minister contact.

Stoltenberg went on to say that what really concerned him was the need for some sense of priorities. Some of his colleagues seemed to think that we could support Airbus, and go on to join the various international space projects (Columbia, Hermes, etc) as well. He tried to explain to his colleagues that it was just not possible to find the money for all of these. The Chancellor shared this sentiment. He had felt it important that Airbus and space were discussed together, for just the reasons Stoltenberg had given. The likely return on space projects was ridiculously low. Stoltenberg agreed, but said that colleagues found the fascination of high technology and European collaboration irresistible.

European R & D

Stoltenberg then mentioned that there would be a meeting of R & D Ministers in a few days. He asked whether the UK was sticking firmly to its existing position? The Chancellor confirmed that we were. Stoltenberg said he had made it clear to his Ministerial colleagues that Germany could not go beyond the present position either, although they were looking at ways of making the message more acceptable to the Commission.

Yours ever,

Tony

A W KUCZYS
Private Secretary

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