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10 DOWNING STREET
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From the Private Secretary

14 May 1987

Dear Tim,

LAUNCH AID FOR BRITISH AEROSPACE

The Prime Minister has seen the draft statement about Launch Aid attached to your letter to me of 13 May. She has suggested amending the third paragraph to read:

"...re-payable on terms designed to yield an acceptable return in real terms from the Government's investment."

Without the word "acceptable" the sentence could imply that the expected return may be tiny in real terms.

The Prime Minister also questioned whether it was right to say there would be a return in real terms: there may well be a loss once funding costs are taken into account. This point was, however, discussed in Cabinet today and the Prime Minister accepts the need for a phrase of this kind.

The Prime Minister is otherwise content, subject to the views of colleagues.

I am copying this letter to Robert Culshaw (Foreign and Commonwealth Office), Alex Allan (Treasury), Andrew Lansley (Office of the Chancellor of the Duchy of Lancaster) and Trevor Woolley (Cabinet Office).

Yours,
David.

David Norgrove

Tim Walker, Esq.,
Department of Trade and Industry.



PS/ Secretary of State for Trade and Industry

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David Norgrove Esq
Private Secretary to the
Prime Minister
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13 May 1987

Prime Minister

BAe have agreed to pay royalties on a sliding scale up to 910 aircraft. If all 910 were sold the rate of return to the taxpayer would increase from 7% to about 8%.

Content with the statement, as amended? (An alternative would be to say "workwhile.")

LAUNCH AID FOR BRITISH AEROSPACE

As I mentioned to you over the telephone, we have now reached an agreement with British Aerospace on the one point outstanding from this morning's meeting. I now attach a first draft of the statement that my Secretary of State proposes to make, subject of course to approval by colleagues in Cabinet tomorrow. DLR 13/5.

I am copying this letter to Robert Culshaw (FCO), Alex Allen (Treasury), Andrew Lansley (Chancellor of the Duchy) and Trevor Woolley (Cabinet Office).

Yours
Timothy

TIMOTHY WALKER
Private Secretary

JG3BBJ



With permission, Mr Speaker, I would like to make a statement about the Government's policy on the question of launch aid for British Aerospace's participation in the Airbus A330/A340 projects.

After discussion with British Aerospace, I am glad to tell the House that agreement has been reached that up to £450m in launch aid will be provided to enable the company to participate in the Airbus A330 and 340 projects.

an acceptable This launch aid will be fully repayable on terms designed to yield *? We make a loss* a return in real terms on the Government's investment.

At this stage our support is conditional upon our partner Governments also making the arrangements that are necessary to enable their manufacturers to participate in the projects.

At a time when the competitive pressures in the world aerospace industry are as strong as ever, I would like to praise the determination of Airbus Industrie and its partners to extend their family of large airliners.

Following the great success of the A320 this should be seen as a further vote of confidence in the British aerospace industry as a whole and in the technical skills of its workforce