

CONFIDENTIAL

Prime Minister (4) CE JV

MUS 18/5



If the French keep in-service support - we shall have to not

Foreign and Commonwealth Office

London SW1A 2AH

17 May 1982

From the Parliamentary Under Secretary of State

FUTURE OF CONCORDE

In your letter of 11 May to Patrick Jenkin you invited comments on Concorde policy in the light of your meeting with M. Fiterman on 6 May.

I am pleased to hear that your meeting went well, and that the way is now clear for us to reach agreement with the French in pursuit of our objective to terminate Government support for Concorde. I agree that our next step should be an approach by our Ambassador in Paris to M. Abraham in the Department of Transport, and I understand that our officials are in the process of agreeing on his instructions. It is important that you and M. Fiterman have agreed that neither side will seek to take political advantage of the other's position in these negotiations, and we shall want our Ambassador to remind the French of this.

I also agree with your thoughts on cost sharing. It is still possible that the French will relent on some degree in the context of an overall settlement, since termination is after all going to save them more money than us. If not, arbitration may be a way out, but we shall need to be certain before proposing this that there is no prospect of an answer from the arbitrators which we would not welcome. Our Legal Advisers are looking into this now and I note that you will be consulting the Attorney-General.

British Airways' views will clearly be of great importance: indeed, should they decide to continue the Concorde service without HMG's financial support, the French, I understand, may not feel able to terminate their own in-service support to Air France. I hope, therefore, that departments will consult carefully on the line to be taken with Sir John King, in the light of the Ambassador's interview with M. Abraham.

I am copying this letter to the recipients of yours.

Malcolm Rifkind
(Approved by the Minister
and signed in his absence)

Norman Lamont Esq MP
Minister of State

CONFIDENTIAL

Top



c. HMT - CS

DTde

WO

SO

DEnv

10 DOWNING STREET

DI

DEmp

Parliament

From the Private Secretary

24 May 1982

THE FUTURE OF CONCORDE

The Prime Minister has seen recent correspondence about the future of Concorde.

She has commented that if the French keep in-service support going, we shall have to do so too.

I am sending copies of this letter to the Private Secretaries to Members of E(EA), the Lord President and Chief Whip and to Stephen Lamport (Foreign and Commonwealth Office), Colin Balmer (Ministry of Defence) and David Wright (Cabinet Office).

M. C. SCHOLAR

John Alty, Esq.,
Department of Industry.

CONFIDENTIAL

ds



Prime Minister (L)
ms 18/5
2 m/s
ck JV

CONFIDENTIAL

From the Secretary of State

Rt Hon Patrick Jenkin MP
Secretary of State for Industry
Ashdown House
123 Victoria Street
London SW1

17 May 1982

Patrick

FUTURE OF CONCORDE

I have seen a copy of Norman Lamont's letter to you of 11 May, and also the Chief Secretary's comments in his letter of 17 May.

I broadly agree with the action Norman suggests, including his proposal that I should see Sir John King to seek his views on whether British Airways would wish to continue to operate Concorde in the absence of British Government funding. As Norman points out, it is important that we give BA this opportunity.

It is of course conceivable, though I think unlikely, that BA will wish to operate Concorde even if British Government support is terminated. BA may argue, for example, that despite the uncertainty over forecasts, the "halo" effect of Concorde helps to justify its continuation on commercial grounds, and they may also point to their reorganisation - aimed at establishing separate profit centres - which may well put BA's management of Concorde onto a more profit-conscious basis. It may of course be difficult for BA to come to a clear decision one way or the other - though I shall encourage them to do so - when some of the costs to them of continuation may not be known: these will depend in part on whether in the last resort continuation by BA will be the determining factor of the French Government's continued support of the project. I therefore welcome Norman's intention to obtain as much clarification as possible of the French Government's attitude via our Ambassador before I see Sir John King.



From the Secretary of State

I am also prepared to make it clear to Sir John that any proposals he puts forward for continuation of Concorde will be subject to further agreement of colleagues, and I shall therefore report back to you his views when I have obtained them.

I am copying this letter to the recipients of Norman's.

Wm. Arthur
LORD COCKFIELD



✓ JV
Prime Minister (4)

ms 18/5

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Patrick Jenkin MP
Secretary of State
Department of Industry
Ashdown House
123 Victoria Street
London SW1E 6RB

17 May 1982

Dear Secretary of State,

Norman Lamont's account of his meeting with the French on 8 April on the future of Concorde seems to offer a promising prospect that a joint agreement on termination can be achieved. It appears that our objective that a decision should be simultaneous on the part of the two Governments is accepted by the French. It is clearly of immense political importance that neither party should be in a position to blame the other party for a decision to cease operations.

I hope, therefore, that following further discussions between our Ambassador and the French Director General of Civil Aviation the way will be clear to take a firm decision at the proposed meeting in July.

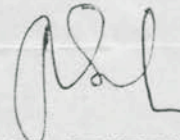
If there are any doubts now they arise in connection with our obligation to consult BA to see if they are prepared to operate Concorde on a full commercial basis. The general presumption is that BA would not be prepared to fly the aircraft on these terms, but there is a possibility that contrary to our expectations they may take the opposite view. As Norman Lamont rightly says if they should take this line we shall need to think again. There is little point in speculating at this stage on what we should do in this event, but I can see that it would put the French into a very awkward dilemma. Norman's letter suggests that the French Government would not be prepared for Air France to discontinue Concorde services so long as BA are flying the aircraft. It seems to follow that if BA wish to continue we could be stuck with Concorde indefinitely. From our point of view, although BA may believe that the aircraft is now a commercial proposition if this should prove mistaken the Government will one way or another have to pick up the tabs. While therefore I do not dissent from the view that Arthur Cockfield should see Sir John King along the lines you suggest I would

have thought there would be considerable value if Arthur puts the possibility of BA continuing with Concorde on their own responsibility as a tentative proposition on which the Government might have further views should BA decide in favour of continuing. I should also emphasise that if we are to come to a joint decision with the French by the time of the July Ministerial meeting, we cannot afford to give BA too much time to decide their attitude.

As for the problem of cost sharing I agree that we should continue to press our claims, but that we should not let the issue stand in the way of an agreement on termination. Norman's proposal that we should offer arbitration seems to me to be sensible in the circumstances, and we must hope that the French will agree to this.

I am copying this to the Prime Minister, John Biffen, Douglas Hurd, Tom Trenchard, Norman Lamont and other members of E(EA) and Michael Jopling and Sir Robert Armstrong.

yours sincerely



LEON BRITTAN

for

(approved by the Chief

Secretary & signed in his absence)

Palmer



DEPARTMENT OF INDUSTRY
 ASHDOWN HOUSE
 123 VICTORIA STREET
 LONDON SW1E 6RB
 TELEPHONE DIRECT LINE 01-212 5902
 SWITCHBOARD 01-212 7676

From the
 Minister of State
 Norman Lamont MP

The Rt Hon Patrick Jenkin MP
 Secretary of State for Industry
 Department of Industry
 Ashdown House
 123 Victoria Street
 London SW1

Prime Minister (2)

The French are believed
 to acquiesce in the

May 1982 termination of
 Concorde services. An
 announcement not before July,

Mes 14/5

Dear Patrick

FUTURE OF CONCORDE

In my letter to you of 8 April 1982 I set out the policy I proposed for the future of Concorde. On the basis of that letter, and the attached report by the Department's officials and my own oral report, E(EA) committee agreed on 20 April that the Government's objective should be the ending of in-service support for Concorde, on a basis agreed with the French Government and as a simultaneous decision of the two Governments. The question of timing and presentation were to be considered later. The Committee agreed, in the light of this objective, on the approach I should adopt at the Anglo-French Ministerial meeting on Concorde on 6 May and invited me to report on the outcome of that meeting.

I met M Fiterman, as planned, in Paris on 6 May. He said that, having considered the joint studies on the Future of Concorde, the French Government were willing to consider any option for the future of Concorde, "even if this represented an effort for the French Government", provided the decision ultimately reached were a joint one. He went on to say should the British position develop in such a way that at some time we were to propose cancellation, the French Government would not use such a situation to attempt to place the blame for cancellation of Concorde on the British. Likewise he hoped that the British Government would act similarly should the French propose cancellation. As agreed by E(EA), I did not tell M Fiterman the British objective on the future of Concorde. But I took his position as a clear indication that the French Government (on whose behalf he made clear he spoke) were seeking an agreed termination of in-service support provided this could be achieved without politically damaging repercussions. I therefore told M Fiterman that I entirely agreed with what he had said about either party not wanting to be in a position to blame the other party for a decision to cease operations. In the light of this agreement I believe that the way is now clear for us to reach a common position with the French on



termination of in-service support for Concorde at the further meeting which, as authorised by E(EA), I agreed with M Fiterman should take place in July.

I suggest that the next step should be for the Ambassador in Paris to see the French Director General of Civil Aviation (who is known personally to support cancellation of Concorde), as soon as possible. He would confirm our understanding of the French position and HMG's willingness to enter into negotiation for mutually agreed withdrawal from the project. The Concorde Management Board could then prepare the ground for a decision to be taken at the July meeting.

It is clear that the French wish to terminate funding both of Concorde operations and Concorde in-service support; and, M Fiterman later indicated to me in conversation, they could not envisage the termination of funding for in-service support without also terminating Air France services. It follows that, should British Airways wish to continue Concorde services, then the French Government would wish Air France also to continue. Government relations with BA, in contrast to the position in France, make it theoretically possible to envisage BA continuing to fly Concorde without funding either from the British or the French Government. It is important from a political point of view therefore to give BA the opportunity to continue with Concorde so long as the company is prepared to accept full financial responsibility. If, as expected, BA feel unable to accept this, the way would be clear for a decision in July to terminate Concorde. Because of its sensitivity I suggest that Arthur Cockfield should see Sir John King as soon as possible after our Ambassador has reported on his discussion with the French Director General, emphasising to him that a decision by BA to continue with Concorde would depend on their accepting the full financial implications. As I have said, I do not anticipate that BA would be prepared to continue on this basis. However if they take the contrary view we shall need to think again. On the assumption that BA do decline the offer we would be able to say when announcing the decision that the possibility of BA continuing to fly Concorde without Government funds had been explored, but that BA were not prepared to continue with the aircraft on this basis.

E(EA) also agreed that I should restate the Government's case for a satisfactory settlement of the problem of the cost-sharing imbalance between the United Kingdom and France. I pressed M Fiterman very hard on this matter. However he had no proposal to make and stuck to the line that his officials had advised him that there is an imbalance in the opposite direction. In these circumstances we can continue to press our claim at political level in the hope of receiving a French offer, drop it or try to secure a settlement by other means. Since the French have more to gain from termination than we do I do not believe that we should stop pressing our claim at this stage, particularly since



termination is likely to cost us more than them. But we should not let this issue obstruct the path to our ultimate objective. I am therefore urgently considering the possibility that we should put our claim to arbitration, whether this should be binding or non-binding and how the arbitration should be carried out. I would consult the Attorney General and E(EA) colleagues before reaching a decision on this. If we decide to go to arbitration, I suggest that HM Ambassador might see M Abraham again. After referring to my remarks on this subject to M Fiterman and my indication that I would need to consult colleagues, he would say that if the French Government did not propose a satisfactory solution at the July meeting, HMG would propose that the agreed outcome of that meeting would include the submission of HMG's claim to arbitration. This seems to me the only alternative to complete abandonment of our case, and defensible in public. It may prove acceptable to the French as a way of securing agreement to harmonious and mutually agreed termination of the project.

One other matter which I discussed was the further exploration of the possibility of the lease of aircraft to Federal Express. M Fiterman said that his officials were now ready to take part in further discussions should the need arise but I said that I would need to reflect further. In practical terms there now seems little point in this since a lease of aircraft would only be possible if BA and Air France were to continue operations. On the other hand, there could be advantages, when we come to present a decision to terminate Concorde, in being able to show that we have explored all possibilities. I believe that there would be little lost in doing so since either such a visit would confirm, as seems likely, that Federal Express have lost interest in a European operation or that the guarantees they require would be unacceptable to the two Governments. I therefore propose that officials should seek a meeting with Federal Express to clarify the carrier's intentions and the position on the lease of aircraft and on guarantees. (Contact by correspondence could be protracted and risks formalising the position when all we seek is an exchange of views.)

... In the light of all these developments I propose to make a holding statement in a written answer to Parliament which would simply draw attention to the agreed communique, a copy of which I attach. In my letter of 26 April to the Select Committee on Industry and Trade, the amended text of which was cleared by E(EA), I said that I would discuss with M Fiterman what information from the studies should be made available to the two Parliaments. In his acknowledgement, Sir Donald Kaberry said that the Committee had decided to await more information from me and did not intend to publish my letter until it had received a fuller and more considered reply from the Government. M Fiterman's response on the question of disclosure was that this would not be helpful at the present time. I agreed that I would try to avoid publication



but said that if I came under pressure I might have to publish summary figures from the British input into the studies. (If so, I would want to let M Fiterman know what I had in mind.)

In these circumstances I propose to write to Sir Donald Kaberry as soon as Lord Cockfield has seen Sir John King, to say that pending the July meeting it would not be appropriate to disclose the results of the studies but that BA had been asked whether they would wish to continue commercial services or discontinue them in the event of the Government's withdrawal of funding for in-service support. I would expect to make a fuller statement to Parliament after the July meeting.

In conclusion, I would emphasise that, whilst we no longer have the opportunity to blame a decision to cancel Concorde on the French, nor to place responsibility for deciding on cancellation on British Airways, we now have a much clearer path to mutually agreed termination of support. In view of the need to initiate the preparations for the July meeting and the need to keep to the timescale involved in the attached outline of the expected sequence of events, I would be grateful for comments from colleagues by Monday 17 May.

I am copying this letter and attachments to the Prime Minister, the members of E(EA), to John Biffen, Douglas Hurd, Tom Trenchard and Michael Jopling and to Sir Robert Armstrong.

John Biffen
Norman

NORMAN LAMONT

COMMUNIQUE: ANGLO-FRENCH DISCUSSIONS ON AERONAUTICAL COLLABORATION

As agreed at their previous meeting on October 29, 1981, M Charles Fiterman, Minister of State, Minister of Transport, and Mr Norman Lamont MP, Minister of State for Industry, met in Paris on May 6, 1982 to discuss Concorde and Airbus matters.

The Ministers expressed satisfaction at the success of 'Airbus Industrie' which had 53% of the market for middle and long-range aircraft in 1981 and is one of the two most important civil aeronautical constructors.

They noted the progress made in the preparations for the A320 project. This project appears to be well suited to future needs for medium capacity aircraft.

In these circumstances, they have decided to discuss in greater depth with their partners, the launching of the programme.

As to Concorde, they noted with satisfaction the progressive reductions in Concorde expenditures in both countries, which would be continued.

The Ministers considered the joint report submitted by British and French officials on the future of Concorde with they had commissioned at their earlier meeting and also took note of reports dealing with cost sharing between the two countries.

Following this discussion the two Ministers agreed to report back to their respective Governments with a view to a further meeting in July.

6 May 1982

SEQUENCE OF EVENTS

Future of Concorde

1. Colleagues reply to reporting letter (2nd week in May)
- ↓
2. (a) Ambassador sees Abraham (3rd week in May)
(b) Written answer to Parliament (3rd week in May)
- ↓
3. Lord Cockfield sees Sir John King (3rd/4th week in May)
- ↓
4. (a) Letter to Select Committee (4th week in May/1st week in June)
(b) British and French officials (CMB) meet to consider preparations for July meeting (1st week in June)
- ↓
5. Visit to Federal Express (3rd week in June)
- ↓
6. British Airways replies on assuming financial responsibility (4th week in June)

Arbitration

1. Colleagues reply to reporting letter (2nd week in May)
- ↓
2. Ambassador sees Abraham (on same occasion as at 2(a) opposite) to repeat case on cost sharing
- ↓
3. (a) Consideration of strength of case for arbitration
(b) Consideration of forum for and type of arbitration
- ↓
4. Put possibility of arbitration to E(EA)
- ↓
5. Ambassador sees Abraham again
- ↓
6. French reply to proposal on arbitration (may not come before July meeting)

7. Put position on future of Concorde and arbitration to E(EA) (end of June/beginning of July)

8. British and French officials meet to finalise papers for July meeting (1st full week in July)

9. July meeting (2nd or 3rd week in July)