



*incl Post*

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

6 October 1980

The Rt. Hon. Sir Keith Joseph, Bt., MP.,  
Secretary of State for Industry

*R*

*4/10*

*Don Kirk*

ROLLS ROYCE AND AIRBUS

*Flag A*

I have considered your minute of 30 September to the Prime Minister and as you already know I have no objections to the terms of the letter which you wish to send to the Chairman of Rolls Royce. It seems to me right, as you suggest, that there should be no HMG commitment until we have some further idea of the likely outcome of the discussions on the Airbus Industrie financing systems. On this aspect of the problem, I understand that Saudia want a new version of the Airbus, the A300-600, which has not yet been authorised by the member Governments. This could prove a bargaining counter, and I would suggest that our approval for developing the -600 should not be given before we have had a chance of assessing progress in the engine financing negotiations.

If this venture does go ahead Rolls Royce should be pressed very hard to reassess their priorities and meet any costs to them from within their existing investment planning totals. Given the present extremely difficult public expenditure problems we face I must say now that John Biffen and I would find it very difficult to accept that any of the extra costs to RR or British Aerospace should entail an addition to total public expenditure provision.

I am copying the letter to the Prime Minister and the other recipients of your minute of 30 September.

*[Handwritten signature and scribbles]*

GEOFFREY HOWE

6 OCT 1980

