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February 3, 1988

Dr. Franz Josef Strauss
 Minister President
 Chairman of the Christian-Social Union
 Bayerische Staatskanzlei
 Prinzregentenstr. 7
 8000 München 22
 Federal Republic of Germany

Dear Dr. Strauss:

Further to my letter to you of June 5, 1986, I would like to bring to your attention a situation that has developed regarding the sale of aircraft to Air Canada.

As you are aware, the sale of Airbus aircraft to Wardair was successful and proceeded virtually as we suggested in the letter to you.

The problem that seems to have arisen now is that the German partners in Airbus, contrary to their other partners, have turned down a request for the deficiency guarantee for the potential sale of 33 aircraft to Air Canada. This had created problems that go beyond just the deficiency guarantee itself, in that Canadian interests are aware that these guarantees have been provided for countries all over the world and would feel strongly that they would expect equal treatment. Furthermore, in the case of Air Canada, which is guaranteed by the Canadian government, the deficiency guarantee is in fact a mere formality.

I believe the sale of the A320 to Air Canada would be of much greater significance than just the number of planes involved. First, I believe that the competition will be forced to

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order Airbus aircraft if they are going to be competitive against Air Canada. Second, as the Canadian national airline with landing rights worldwide, it will show that another North American airline has total confidence in Airbus. Third, and probably the most important, any additional equipment required by Air Canada and others will undoubtedly have to come from Airbus because of the commonality of cockpits and other technology of which we are aware.

I understand that Aerospatiale, who is the partner responsible for the Canadian development of Airbus, has virtually reached an agreement with Canadair of Montreal for the development of equipment for Airbus - an agreement which is not only satisfactory to both parties but has been very welcomed by the government of Canada.

Anything you can do to assist in resolving the above problem, I know would be appreciated by all concerned. In the meantime, best personal regards to you and your family.

Yours sincerely,



Frank D. Moores

FDM/no'u

Dr.h.c.Franz Josef Strauß
Vorsitzender des Aufsichtsrates
Airbus Industrie G.I.E.

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APR 08 1988

March 29th, 1988

Dear Mr Moores:

Thank you for your letter of February 3rd, 1988 in which you address the issue of an Airbus Industrie deficiency guarantee to support the financing of a potential A320 sale to Air Canada.

As to the information received from Deutsche Airbus GmbH, the German partner in the Airbus programme, the discussions between Airbus Industrie and Air Canada with regard to financing have well progressed, but have not yet advanced to a stage, where Airbus Industrie has asked their shareholders for formal approval for an Airbus Industrie manufacturer's guarantee. So in fact your information that the German partner "has turned down a request" may be based on some misunderstanding.

As I have been further informed, financing discussions between Airbus Industrie and Air Canada now are concentrating on a limited residual value guarantee to be granted in addition to export credits. This indeed seems to confirm worthiness of Air Canada by a deficiency guarantee which normally is used to support sales to weaker countries.

Please be assured that there is no reason to put doubt on the preparedness of the German partner to support any Airbus sale to Air Canada in the same way as the other Airbus partners.

Yours sincerely,

