



PRIME MINISTER

INMOS

At its meeting on 17 March E Committee endorsed the conclusion, reached earlier by E(EA) Committee, that the NEB should subscribe £25 million for the second tranche of INMOS equity funding, and went on to discuss the siting of the first INMOS production unit. It was the majority view that Cardiff should be preferred and that an IDC should not be granted for a factory at Bristol. I was invited to explain the Government's views to INMOS; to explore with them the reasons for the delay in constructing the company's Technology Centre at Bristol; and to bring the matter before E Committee again if new facts emerged. The purpose of this minute is to report subsequent developments to colleagues.

I had been expecting that I would have been able to report progress to colleagues before the Easter holiday but this has not proved possible because of two relevant developments, both of which are not yet settled.

The first development is a proposal by INMOS that they might be able to help our concern about Cardiff by situating there a factory to undertake assembly and testing as an additional facility [?] not hitherto envisaged as being within the scope of the company's operations. On existing plans this would be undertaken by low-cost sub-contractors in Singapore, but the changing balance between plant and labour costs for this kind of operation means that it may be economic for INMOS itself to undertake the work in UK Assisted Areas,

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✓ by the Director
Mr Gaffin

Prime Minister ^{had 2} ^{BT}

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where capital grants would be available. The initial results of the urgent study the company has made are encouraging but it is clear that a considerable amount of work still remains to be done before a proper assessment can be made of the commercial case for such a plant.

The other development is a totally unexpected possibility of obtaining some private sector participation from GEC. It is far too early to say whether this will firm up into a proposal.

However in view of these developments I have decided not to ask colleagues to consider the matter further until after the holiday. Even then I may not be able to give firm guidance on these possibilities but I have asked that the NEB should pursue both with some vigour. In the meantime I thought I ought to explain where we have got to on this very difficult subject. But I think I should warn colleagues that it may be necessary for me to invite them to review the decision on an IDC for the Bristol production unit before a definitive statement of GEC's position is available.

I am copying this minute to the other members of E, the Secretaries of State for Scotland and Wales, and to Sir Robert Armstrong.

K J

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Department of Industry
Ashdown House
123 Victoria Street

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