



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

PS/*Secretary of State
for Trade and Industry*

23 January 1984

Andrew Turnbull Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Andrew,

I enclose a brief for the Prime Minister's meeting with Barry Jones MP on 24 January concerning the redundancies at BAe's Broughton site.

*Yours ever,
Andrew*

ANDREW D LANSLEY
Private Secretary



PRIME MINISTER'S MEETING WITH MR BARRY JONES, MP: 24 JANUARY 1984

Redundancies at British Aerospace's Broughton (Chester) Site

On 18 January British Aerospace announced 400 redundancies at their Chester site (where the Airbus wings are manufactured) in response to a slow-down in work on the current wide-bodied Airbus models - the A300 and the A310. ^{Up to} 450 redundancies were also announced at BAe Manchester as work for MOD on the Nimrod comes to an end. BAe hope the Chester redundancies can be achieved voluntarily - but those at Manchester are likely to be compulsory. These 850 redundancies are in addition to the 3,500 announced by BAe last July which are being implemented progressively.

2 Mr Jones may argue that the Government should take an early decision to back the new Airbus A320 as a means of bringing work to Chester - and avoiding redundancies. The following points can be made:

- i) The Chester redundancies do not result from the absence of a decision on A320: they directly reflect the current low level of demand for the wide-bodied Airbus aircraft. Boeing have been suffering similarly (and have laid off many more than 400 workers): But Boeing have recently been more successful than Airbus in winning the few orders that are available. It was originally hoped that the production rate for the wide-bodied Airbus models would be more than 80 per year by 1985: in practice, production will have to be cut back to 35 aircraft or less. This is a measure of the decline in demand from airlines.
- ii) The Government expects to take its decision on launch aid for BAe participation in the A320 in the near future. The Government must be satisfied that the project is commercially-viable: and it is for British Aerospace themselves to determine the most cost-effective allocation of work as between sites so as to achieve the best possible return from the project. Chester, with its well-established reputation for Airbus work, must be well-placed to win some of the A320 production. But it is up to the management and workforce at Chester to demonstrate to BAe that this would be the best solution.

3 [CONFIDENTIAL.] BAe's current thinking is that only 15-20% of the A320 production work would go to Chester. The greater part of the work would go to Bristol and to Warton (Preston). Mr Jones may contend that, as an aspect of regional policy, the Government should insist that a project like A320 (partially) assisted by Government financing, should be located in industrially-depressed areas. But any such insistence would cut across the Government's desire to encourage BAe to view the project from a purely commercial perspective - which implies locating work where it makes the most industrial sense. Part of the reason for BAe's reluctance to place too much A320 work at Chester is that they



anticipate an up-turn later in the decade in the demand for the wide-bodied Airbus models. They feel that Chester could not meet this increased demand - and do a substantial part of A320 as well. But, provided demand picks up, Chester looks to have an assured future on Airbus work.

Air Division
Department of Trade and Industry
20 January 1984



CONFIDENTIAL

Airbus A320: Consideration of BAe application for launch aid

The DTI's evaluation of the BAe application for 100% launch aid (£440m in outturn prices) has now been completed. There has been an initial discussion between Departments in the Official Group on Aerospace (MISC 25). The issue will be taken by E(A) on 2 February, together with Rolls-Royce's application for 50% launch aid (amounting to £113m at 1983 prices) for the new-technology V2500 engine. The Cabinet Office will be preparing a paper summarising the issues for decision. The Secretary of State for Trade and Industry and the Chief Secretary will be submitting papers of their own. The DTI's analysis shows that the V2500 engine has a good chance of achieving a healthy rate of return. By comparison, the A320 looks a more marginal project where the decision will be largely conditioned by wider political factors. BAe would nonetheless not seem to require 100% launch aid to enable them to participate.

Air Division
Department of Trade and Industry
20 January 1984

CONFIDENTIAL

Y Swyddfa Gymreig

Parc Cathays
Caerdydd CF1 3NQ



Welsh Office

Cathays Park
Cardiff CF1 3NQ

Telex 498228

Telephone (Switchboard) 0222 825111 GTN Code 2064

(Direct line) 0222 823674

DD 24/1

Mr Tim Flesher
10 Downing Street
London

Ein Cyf/Our reference

Eich Cyf/Your reference

Dyddiad/Date 23 January 1984

Dear Mr Flesher

PRIME MINISTER'S MEETING WITH MR BARRY JONES MP ON TUESDAY
24 JANUARY RE BRITISH AEROSPACE AND LAUNCH AID FOR THE A320 AIRBUS

Mr Bolger of Department of Trade and Industry asked Welsh Office for good and bad news re the Deeside area to form part of the Prime Minister's brief for the meeting with Mr Barry Jones. In view of the timescale it was decided I should contact you directly.

The good news relates to new investment in the Deeside area. Substantial new investment has been attracted in recent months including most recently Caravell, a Danish firm that makes freezers. This project provides initially 20 jobs but there are unconfirmed newspaper reports of an eventual expansion to 150 jobs. Neither we nor DTI have any details of this. Other recent investments include the Cooperative Wholesale Society (150 jobs) Warwick International Ltd (chemical compounds - up to 200 jobs), Kimberly Clark (175 jobs - main product Kleenex tissues), BICC/Corning - the Optical Fibre development (150 jobs) and United Paper Mills - now called Shotton Paper Mills (270 jobs).

An announcement* will be made today of a new project Angus Chemicals (UK) Ltd on the Deeside Industrial Park which will provide 250 jobs. The development of chemical works on Deeside will not be greeted with enthusiasm in all quarters because of the problems that have been caused by Aber Chemicals of Flint. There was an explosion at the plant this month which aroused some apprehension locally. The explosion is being investigated by the Health and Safety Executive.

The Delyn Enterprise Zone was designated by the Secretary of State in July last year. There are about 60 firms in the Zone and the decision by Caravell to locate in the Zone underlines the attraction of the Zone and its importance and potential for Deeside.

Yours sincerely

W P RODERICK

* Press Notice attached.

Draft Press Release.

JOINT VENTURE PROJECT FOR NORTH WALES.

The Rt. Hon. Nicholas Edwards, MP., Secretary of State for Wales, announced in the House of Commons today that, subject to the satisfactory conclusion of negotiations, the Angus Chemical Company of Northbrook, Illinois, and Isochem of Gennevilliers, France, intend to build a specialty chemical manufacturing plant on a joint venture basis on the Deeside Industrial Park in Clwyd. The project will create 250 jobs in North Wales.

Mr. Edwards added: "I visited the Angus Chemical Company in Chicago in September and I am particularly pleased about the prospect of this development".

Mr. Edwards also said that "my Department has offered financial assistance; and I am delighted by the teamwork, co-ordinated by WINvest, which has persuaded the Angus Chemical Company and Isochem that Wales is the best location for their £8 million project. And clearly", he went on to say, "a most important element in the decision has been the availability and quality of the work force which has so impressed the two companies".

Notes for Editors.

1. Angus Chemical (UK) Ltd. is an 80/20 joint venture between Angus Chemical Company of Northbrook, Illinois, and Isochem SA, of Gennevilliers, France, a French fine

(Contd.)

chemicals manufacturer. Subject to planning approval it is expected that work will commence on the plant in April or May. When completed the Deeside facility will be capable of a wide range of complex chemical processes. Chemicals produced at the plant will be low volume, high value added organic intermediates used in the manufacture of finished pharmaceuticals and agricultural products. Angus Chemical Company is a jointly owned subsidiary of Alberta Natural Gas Company and the Pacific Gas Transmission Company. It serves a broad range of industries including pharmaceutical, automotive, metal working, water treatment, petroleum production, coating and ink. Isochem produce bulk pharmaceuticals, specialty chemicals and organic intermediates.

2. Mr. Edwards led a WINvest mission to the USA last September. During and since that visit four other companies that he met have announced their decision to locate in Wales: Parrott Corporation (450 jobs at Cwmbran); Tepco Inc. of Dallas (75 jobs in Cardiff); Shape Inc. of Maine (100 jobs at Bridgend); and Saga Systems Inc. of California (a joint venture project with Wilcox Computers of Wrexham).

(Contd.)

3. Since 1st April last when WINvest was established 16 new overseas projects have been secured for Wales promising about 1,800 new jobs; and there have also been seven expansion projects by existing overseas companies creating a further 300 new jobs.

15.8
●
MR. FLESHER

CF to
meeting folder

I spoke to Barry Jones' Research Assistant and have offered him 1630 hours on Tuesday, 24 January in the Prime Minister's room at the House of Commons.

I spoke to DTI and they will supply a brief and let us know which Minister will be present.

CR.

19 January 1984