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The Rt Hon Peter Walker MBE MP

Prime Minister
I understood the Chief Secretary will not
be replying until
Thursday morning
(12 Apr 90). He is
being advised that the
proposed grant sought by Mr Walker
is too high but that agreement at a
lower grant level should
be possible. BHP 10/4

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From The Secretary of State for Wales

9 April 1990

Dear Chief Secretary,

BRITISH AIRWAYS

I spoke to you the other day about the application for Regional Selective Assistance from British Airways which my Advisory Board considered on 2 April.

The project is to build an aircraft maintenance facility next to Cardiff-Wales Airport and to support this with maintenance workshops and engine-overhaul facilities to be located in the South Wales Valleys. The latter would be a major extension to BA's existing engine overhaul works at Nantgarw. The main customer for these facilities would be BA itself with its expanding fleet but there would also be significant opportunities to take on work from other airlines. The total capital cost would be £126m and the project would create almost 3,000 jobs - the majority of these in the Development Area.

The company is seeking £40 million in grant, without which the investment will be located at Singapore as a joint venture between themselves, HAECO and Dowty Aviation. This is a viable and realistic alternative which is highly attractive to BA not least because their prospective partners would share the heavy capital costs involved and there are significant operational and running cost benefits.

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The Rt Hon Norman Lamont MP
The Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG



This is an enormously attractive project not only for the immediate area but for the UK as a whole since it brings into prospect the development of a centre of world excellence in South Wales. British Airways aims to lead the field in aircraft maintenance and the work to be undertaken will involve the latest technologies and the highest levels of skills. Moreover, the numbers of jobs referred to now relate only to a two-shift operation and a 5-year timescale. The company aims to introduce a third shift as soon as possible and the nature and scale of the investment means these jobs will be in place well into the next century.

The jobs and skills themselves will provide an enormous boost to the whole of South Wales and the Valleys, so too will the levels of training that will be made available to support the project and the associated spin-off for local firms. In addition, there would be balance of trade benefits in excess of £800m from the 2-shift system alone and considerably greater benefits to the national account and to UK suppliers of components and services from the introduction of a third shift to service other airlines.

My Advisory Board was unanimous in its conclusion that this was an exceptional project which offered enormous employment, technological, trade and spin off benefits. It also took the view that the longer term future of the existing engine maintenance plant in South Wales, currently employing 900, would be put at risk if the project were lost to Singapore.

I fully share the Board's view and can confirm the significance of this investment to BA from my own discussions with Lord King. In order to remain within the cost per job limits of the RSA scheme a grant of £36m is recommended, though the Board could not be confident that this would secure the investment for the UK.

Your officials have been given copies of all the relevant papers and mine are ready to discuss outstanding matters with them at any time so that they company's deadline of 12 April can be met.

I am copying this letter to the Prime Minister and John Major.

H. M. Cross

Approved by the Secretary of State
and signed in his absence

