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WELSH OFFICE
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From The Secretary of State for Wales

// April 1990

*n.b. p.m.
(convened by Secy
P.M.)*

COMMERCIAL IN CONFIDENCE

Dear Chief Secretary

I wrote to you on 9 April about this important project for an aircraft maintenance facility in South Wales. Our officials have since discussed it, but I gather that there may be outstanding problems in relation to the PES position and the size of the grant.

My officials have given yours our latest forecasts of expenditure requirements over the PES period. While it may well be possible to accommodate the British Airways project within available resources it would not provide headroom for future large projects at a time when we are making every possible effort to secure further inward investment ahead of 1992. I could not, therefore, agree that the offer to British Airways should be conditional upon David Hunt not being afforded the opportunity of discussing his requirements with you in the forthcoming Survey round. Any undertaking along these lines would also, of course, be tantamount to my agreeing that the RSA scheme should be cash and commitment limited, which, as you know, I have found unacceptable.

/Our officials

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



COMMERICAL IN CONFIDENCE

Our officials have not been able to resolve this outstanding matter but British Airways are anxious for an answer on their application by 12 April when their Capital Investment Committee meets. I am therefore writing to seek your agreement to an offer of £36m, leaving the PES position on my Industry Programme to be settled between David Hunt and you in the Survey.

Having discussed this project personally on several occasions with Lord King and others in British Airways I am entirely satisfied that any lower figure would run the risk of losing one of the most exceptional projects in recent years. Coming after the Ford announcement this week, this really would be disastrous.

If we are to be confident of securing this investment, I will need to tell the company before their Capital Investment Committee meeting tomorrow.

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

K. I. M.

Approved by the Secretary of State
and signed in his absence