

Y SWYDDFA GYMREIG

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-270 3000 (Switsfwrdd)

01-270 0538 (Llinell Union)

Oddi wrth Ysgrifennydd Gwladol Cymru



The Rt Hon Peter Walker MBE MP

n.b. P.M.

BHP
24/4

clb

WELSH OFFICE

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-270 3000 (Switchboard)

01-270 (Direct Line)

0538

From The Secretary of State for Wales

CT/7116/90

23 April 1990

CONFIDENTIAL

BRITISH AIRWAYS

Thank you for your letter of 12 April and for your agreement that an offer of £36 million could be made to the company. I am grateful to you and your officials in responding in time for us to meet British Airways' extremely tight timetable.

I am very surprised that you take a less positive view of the regional and industrial case for this project than do I and the Industrial Development Advisory Board. The employment benefits of the investment will spread far more widely into the Valleys and beyond than the immediate travel to work areas of Cardiff and Rhondda/Pontypridd and provide valuable job opportunities in areas where male unemployment rates are still between 14% and 18% and where further redundancies are in prospect. The industrial case is also compelling. The project will provide a centre of world excellence utilising the very latest technologies and requiring significant numbers of skilled workers. The direct balance of payments benefits - in excess of £800 million - are very great and the potential spin-off opportunities for UK supplier firms are considerable. For these reasons I am entirely satisfied that a grant at this level is fully justified, though there can still be no guarantee that the project will be secured for this amount.

/I understand your

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



I understand your comments on the public expenditure position and I would be prepared to make use of any savings which may arise elsewhere in my industry programmes to contribute to expenditure on RSA. I will be looking carefully at the PES position over the next few weeks in accordance with the Survey timetable and I will of course, as part of this, consider the extent to which expenditure might be accommodated within existing baselines. I could not, however, anticipate that now or accept that I would be forbidden from entering a bid for RSA in the Survey. Quite apart from the precipitate injustice of this, it would imply a willingness on my part to accept the principle of commitment limiting. I have previously made very clear and at length the reasons why I am opposed to this, and I remain of the view that it would damage our negotiating position and send entirely the wrong signal to competitors and applicants alike. These important policy issues, which affect all three operating departments, should be debated between us and cannot be decided in the circumstances of one particular case; and a case where I believe the expenditure is fully justified on the merits of the project. In addition, I could not agree to putting David Hunt in the impossible position of not being able to discuss his requirements with you in the Survey. I am, however, content for our officials to discuss the expenditure position if you wish.

/ I am sending a copy of this letter to the Prime Minister.