

CONFIDENTIAL



CEP
n.b.P.M.
at 10.30 a.m.

BHP

9/5

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon David Hunt MBE MP
Secretary of State for Wales
Welsh Office
Gwydyr House
Whitehall
London
SW1A 2ER

9th May 1990

Dear David

BRITISH AIRWAYS: REGIONAL SELECTIVE ASSISTANCE

I have seen Peter Walker's letter of 23 April.

2 As I explained in my letter of 12 April, my approval to a £36 million grant offer to BA was conditional on identifying any necessary offsetting savings within existing baseline industry provision to avoid an overspend. I am grateful for Peter's willingness to use any savings which may arise elsewhere in your industry programmes to contribute to expenditure on RSA, but the terms of my agreement to the BA offer means that our officials need to identify specifically any necessary savings needed to offset in full an overspend on RSA in your current industry baseline provision. Whether or not you bid for more RSA provision in the Survey for other reasons is a separate matter, although in view of the Cabinet discussion of 19 April about the public expenditure position I very much hope that you will be able to offer reduced requirements for RSA, particularly in the light of the much improved Welsh economy, and any bids you might put forward would no doubt be more than counterbalanced by reduced requirements elsewhere.

3 As regards commitment monitoring, my letter simply referred to the commitment monitoring arrangements agreed by our officials in 1987 which Peter endorsed on 23 March 1988. But naturally I hope that in due course we will be able to introduce cash limiting for 1991-1992 as I described in my letter to Nicholas Ridley of 17 April.

4 As Peter said, I should be grateful if our officials could discuss the expenditure position and agree the details on this basis.

5 I am copying this letter to the Prime Minister.

[Signature]
NORMAN LAMONT

Address: Pouch 176

