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From The Secretary of State for Wales

The Rt Hon David Hunt MBE MP

26th June 1990

Dear Nicholas

DOWTY ROTOL

I thought I should let you know immediately that I have tonight heard that Dowty Rotol plc has decided to locate their project to produce landing gear for the Airbus project in Quebec. The company are planning to announce this on Thursday of this week apparently timed to coincide with the Queen's presence in Canada. This decision means that the United Kingdom has lost a technologically advanced project providing many hundreds of long term skilled jobs both for the Airbus project itself and the possibility of many more such jobs if the company's current negotiations for the Boeing contract are successful. In addition to the technological and employment benefits which the project would have provided if located in the United Kingdom, there would also have been substantial and important benefits to the balance of payments. We have lost the opportunity to develop in the United Kingdom therefore a world class capacity and capability for building large aircraft landing gear. In the longer term there could be implications for the future of large landing gear design as well as test and assembly work currently done at Cheltenham.

The company had under consideration the alternative of locating this new project in South Wales. Because of the important national and regional benefits I had hoped to be able to persuade the company to adopt that course. With the agreement of the Treasury I was able to offer Regional Selective Assistance of £15m of which £8m related to the Airbus part of the project. I understand however that the Canadian package (50% Federal 50% Quebec) on offer is worth some £18m for the Airbus phase and a total of some £28m in the event that Dowty secure the Boeing contract. In addition the company have received an assurance from the Canadian Government that assistance (of the order of 50%) towards the development costs of future projects would be favourably considered.

/While....



While I do not suggest that we should have sought to match the Canadian package and there were also strategic arguments for a North American location, I am in no doubt that the wide difference between the Canadian financial package and what we were able to offer was a major influence on their final decision. It seems clear that the lack of UK launch aid whether for the Airbus project itself, or more importantly for future aerospace developments was a key factor in leading the company to the view that Canada would provide them with a more favourable commercial climate in which to invest. I have discussed the presentation of their decisions with the company who have agreed to deal with the financial aspects in low key in their announcement.

It is now too late to influence the company's decision in this present case which is therefore so much water under the bridge. But I am concerned about the wider issues which arise from it. As a Government we shall need to reconsider our stance on launch aid under the Civil Aviation Act 1982 particularly where there is an opportunity to use that possibility to ensure that advanced technological developments of this kind can be retained in the United Kingdom with all the industrial, employment and balance of payments considerations being taken carefully into account.

I am sending copies of this letter to the Prime Minister, the Chancellor of the Exchequer and the other members of EA.

Yours ever . . .

N Ridley

The Rt Hon Nicholas Ridley MP
Secretary of State for Trade & Industry
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