

CONFIDENTIAL



Secretary of State for Industry

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14 March 1980

Tim Lankester Esq
Private Secretary to the
Prime Minister
10 Downing Street
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Dear Tim

INMOS: FACTORY LOCATION

My Secretary of State has circulated his paper "Inmos: Finance and Factory Location" E(80)23 in his capacity as Chairman of E(EA) Committee. The paper incorporates amendments suggested by the Secretary of State for Wales.

Since the paper was drafted the Minister of State, Lord Trenchard, has seen Mr Petritz and Professor Barron of INMOS as part of the normal consideration of the company's application for an industrial development certificate (IDC) for the first production facility at Bristol. Lord Trenchard was accompanied by the Secretary of State for Wales.

The purpose of the meeting was to ^{ask} INMOS formally why they could not build their first production facility in South Wales, the Assisted Area nearest to Bristol, bearing in mind that when the previous administration decided to issue an IDC for INMOS' technology centre to be located at Bristol, the NEB publicly announced that INMOS had "the firm intention of locating production units in an assisted area". After a lengthy period of questioning Lord Trenchard was satisfied that there were strong arguments for locating the first production facility together with the technology centre. He thinks it a pity that these arguments were not recognised 15 months ago when the location of the technology Centre was under consideration. But the three founders of the company were still feeling their way together on these issues in the early days of INMOS, and Lord Trenchard understands that the strong case for co-location of R&D and production has become increasingly accepted in this new industry.

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There remains the theoretical alternative of getting the company to move the technology centre to Cardiff and to locate the first production facility with it there. The INMOS Directors made it clear that they thought this would have a very adverse effect on their existing staff located in the US as well as in the UK; that they risked losing at least some of their key staff in Bristol as a result; and that the delay involved in the move would put at serious risk their future plans for launching their products on the market, where careful timing was absolutely crucial for success. Lord Trenchard considers that, although the precise effects of forcing such a move are arguable, the extra risk involved in what is already a very risky project is very difficult for the Government to accept. He is very conscious of the real benefits which re-location would bring to Wales if the project were in the event to be successful, but does not consider that the extra risk would be justified. A failed INMOS would bring no benefit to Wales.

On the other hand, if INMOS' first production facility proves to be successful, there will be good commercial arguments for locating the next facility elsewhere in the UK. The INMOS Directors have given a firm assurance that, if they are successful with the first factory, the next will be located in an Assisted Area. Lord Trenchard believes this undertaking has rather more substance than that allegedly given by the NEB to his predecessors.

In the light of this formal consideration of the application for an IDC and for the reasons set out above Lord Trenchard wishes to recommend that the IDC now be granted.

I am sending copies of this letter to the Private Secretaries to all members of E Committee and to the Scottish and Welsh Secretaries, and to David Wright.

Yours ever

Ian Ellison

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Private Secretary

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