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Oddi wrth Ysgrifennydd Gwladol Cymru

The Rt Hon Nicholas Edwards MP

From The Secretary of State for Wales

CONFIDENTIAL

5 March 1980

Dear Keith

B. G.

The proposal that is being put to E(EA) to grant an IDC for the Inmos factory at Bristol, subject only to a formal enquiry about their choice of site, raises issues of great importance.

Colleagues should understand that what is at stake is the credibility of our Regional Policy. A decision to grant an IDC in this case for a Government financed factory will be seen as signalling the abandonment of IDC control. It is hard to believe that if an IDC is granted in this case one could ever be refused again. That is something that would cause grave concern throughout the assisted areas. The interpretation that IDC control is being abandoned will be reinforced by the fact that former Ministers have stated and will continue to state that an IDC for the research centre was only given on the understanding that the manufacturing units would be established in the regions.

The issue has a greater political significance even than that. The decision will be taken and announced at a time of industrial tension when the Nationalised Industries are being asked to undertake large scale demanning, when unemployment is rising and when there are understandable and widely held fears of a return to the thirties. I do not believe that it will be in Wales alone that the decision would be seen as an abandonment by Government of any serious attempt to attract new and more diverse industry to the area when jobs are being lost.

Certainly in Wales such a decision would have the most serious impact on the attitude of those who see their jobs at risk, and on the political reputation of the Government.

/In my view

The Rt Hon Sir Keith Joseph Bt MP
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In my view the commercial argument for permitting the development to take place at Bristol would have to be extraordinarily persuasive for the Government to grant an IDC in these circumstances. The arguments that have been presented by Inmos and the NEB do not seem in the least persuasive.

The evidence is very strong that when Inmos applied for an IDC for the technology centre the NEB gave a firm commitment to our predecessors that the production units - all four that Inmos had in mind at the time - would be located in the assisted areas. Eric Varley, Alan Williams and Gerald Kaufman, in their letter in the Times on 29 February, made it plain that the IDC for the technology centre was approved on that basis. There was no suggestion from Inmos at the time that they dissented from that arrangement - or, indeed that it was crucial for the first production unit to be cheek by jowl with the technology centre. On the contrary, representatives of Inmos explained to officials in my Department and to local authority officials in South Wales the positive advantages of separation. Our predecessors made public statements on this matter but so far as I am aware there was no suggestion from Inmos that there were any doubts about the matter.

If Inmos knew all along that it was essential for the first production unit to be located alongside the technology centre then they must have deliberately misled the NEB and our predecessors. If on the other hand it is only now that they have concluded that separation would prejudice the whole project it must raise doubts about their competence. Nothing in the papers I have seen suggests that the arguments for a reversal of the previous attitude are compelling. It is surprising to discover that the IDC application approved by our predecessors 15 months ago - with Inmos pleading great urgency - has apparently still not been acted upon. This reinforces my suspicion that the intention all along has been to secure the first production unit for Bristol, and that Inmos were less than frank - to put it mildly - with Government about their proposals. They were similarly less than frank with the very large number of local authorities in the assisted areas who responded - at considerable public expense - to the invitation to submit sites for consideration.

In submitting their present application there is, in my view, a clear onus on Inmos to demonstrate beyond doubt that they have assessed all possible locations in the assisted areas and found none to be suitable. The absolute minimum requirement, I would have thought, is for Inmos to report in detail on the short-listed assisted area sites. Until they do so I do not see how it can possibly be suggested that the application has been sufficiently substantiated.

/I understand

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I understand that Inmos have claimed that only Bristol offers an assurance of attracting the key personnel who are critical for the success of the project. The evidence put forward in support of this is, in my view, very shaky indeed. It really is absurd to suggest that Cardiff, and a host of other assisted area locations throughout the country, are not attractive to professional people. It is not the view taken by Ferranti for example who are going ahead with a high technology project at Cwmbran.

So far as I am concerned I am in no way persuaded that the site on offer to Inmos in Cardiff - which is already in public ownership and on which a start can be made immediately - is not eminently suitable for the first production unit. It is alongside an interchange on the M4 (giving all-the-way motorway access to Heathrow and Bristol); it is environmentally superb (as has been conceded by the consultants acting for Inmos); it is shared only with the important new Radio Chemical Centre development (who have had no difficulty whatsoever in recruiting key personnel); it is within walking distance of an attractive high-class residential area on the outskirts of the city; it is within 10 minutes by road of the city centre and the University; and within easy reach of a national park and areas of outstanding beauty. The alleged bias against Cardiff - and South Wales generally, as a good place to live and work in is totally at variance with the experience of scores of firms who have moved into the area.

The Memorandum suggest that Inmos should simply be asked why they cannot build the factory in South Wales, and that if they say in reply that the technology centre and production should be together - which will be their automatic response anyway - they will get the IDC. I cannot conceive of a more pathetically weak test to be applied to an issue of such importance. Indeed, if Inmos themselves had been asked to think up a test I doubt whether they would have produced such a weak one.

I take the view, therefore, that whilst Inmos and the NEB may have made out a case for the additional funds, they should be released only on condition that the first production unit is located in an assisted area.

If they choose a location in an assisted area outside Wales I could not object, but I think they will accept that if the development is to take place in an assisted area the Cardiff site is eminently suitable. Frankly the suggestion that the project would succeed

/in Bristol

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in Bristol but would fail in Cardiff is incredible. If that is the justification advanced it has serious implications for the future industrial development not just of South Wales but of the Regions generally. If we as a Government endorse such a view we will make infinitely more difficult the industrial recovery of such areas because it will be that much more difficult to direct high technology investment, foreign and domestic, into the regions.

/ I am copying this to the Prime Minister to other members of E(EA) and to Sir Robert Armstrong.

Jan over

Nick

15 MAR 1990

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