

1. MR Hopkins - DESKBY 6.00p.m.

CONFIDENTIAL

2. cc. PS/SofS (CB) (M) ✓

PS/MR Condon (LUS) (M)

PS/PS (LUS) (M)

PS/MR Keady (M)

MR Jones (M)

MR Hanrahan (M)

MR Quigley - for advice please (M)

MR Mc Bell (M)

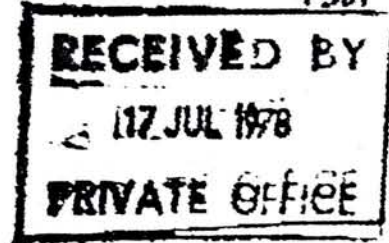
MR Pankas (M)

Treasury Chambers, Parliament Street, SW1P 3AG

MR Ford (M)

MR Roberts (M)

MR Carron



17 July 1978

The Rt Hon Roy Mason MP
Secretary of State
Northern Ireland Office
Great George Street
London SW1P 3AJ

Dear Roy,

Thank you for your letters of 11 and 13 July about the sports car assembly project for West Belfast. I note that you have public expenditure provision to cover the amount of financial help you propose to offer.

We spoke briefly about this case by telephone on 27 June, and I asked you then exactly what proportion of the total investment in the Belfast project would be coming from private sources. We also spoke again in the House on Thursday.

As it now stands, the Northern Ireland manufacturing operation is estimated to cost about £50 million, including the £5 million of extra site costs which you mention in your latest letter, and your proposal is to finance this 100% from public funds. (The investment of £8.5 million mentioned in paragraph 6 of your letter of 11 July is related to dealing with operations and possible development rights in the US). It is hoped that it would create 2,000 jobs after 5 years.

As I see it, this is an extremely risky project, which you propose to locate in West Belfast. It is risky in the sense that a new company is to carry it out, and that it is an untested car which is to be manufactured.

So far as the location is concerned, you wrote to me on 3 July about a manufacturing project - Strathearn Audio - which was started from scratch in 1973 on a large scale in West Belfast. That project had been intended to provide 1,400 jobs: up to the

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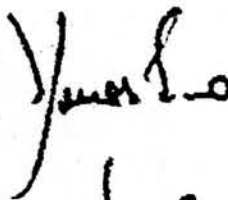

end of June 1978 we had invested over £10 million in it which we shall certainly not get back. It is employing 150 people, expects to make a loss of over £1 million this year, and has suffered persistently from problems over productivity, high labour turnover and absenteeism. This is a very unpromising precedent for investing five times as much in the same area.

The arguments for insisting on some private sector participation in projects of this kind are of course that it is only reasonable to expect the promoters to contribute towards investment which is intended to give them a profit; that it helps to keep down the cost to the taxpayer; and, in very risky cases, a financial stake by the private sector is an indicator that a private commercial judgement regards the risk as worth investing its own money in.

I fully appreciate the political factors which make you keen to get a project, and preferably a large project, for West Belfast. But the scale of the public investment is very large, and the risk attached to the project very high, and I am sure we should not be justified in going ahead on the basis you recommend. If you succeed in replacing the £8 million which appeared at an earlier stage to be available from private sources but was later withdrawn, we could, of course, consider it again.

I note also that there is a contingent problem about the risk of countervailing duty being imposed by the US Government. No doubt Edmund Dell will comment on that aspect.

I am copying this letter to members of IN, to Edmund Dell and to Sir John Hunt.



JOEL BARNETT

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