

SERIES

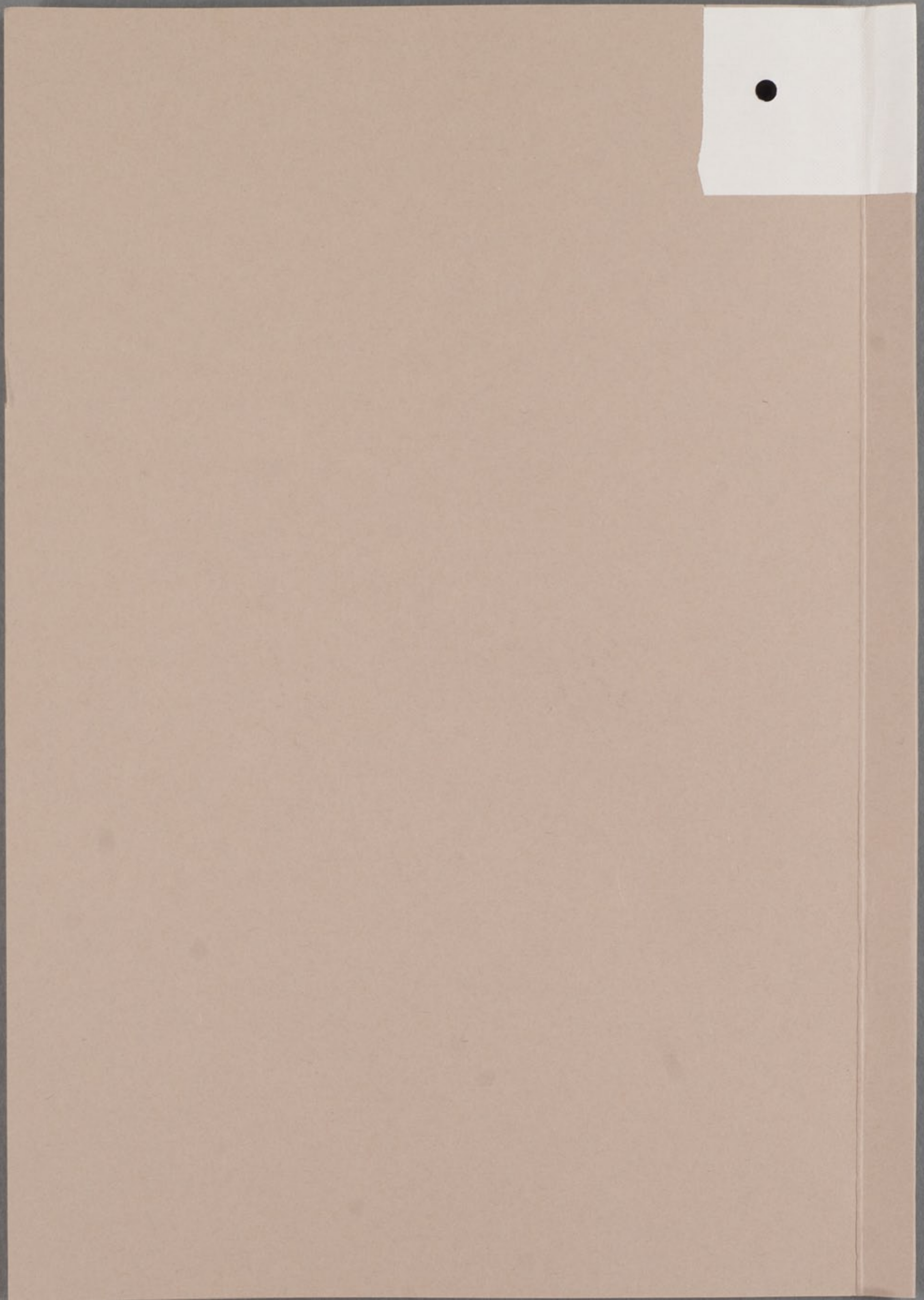
PREM 19

VOLUME

105

START

PREM 19 / 105



PART 1

Confidential Filing

Review of Regional Policy
including Assisted Area
Boundaries and the creation
of Enterprise Zones.

REGIONAL

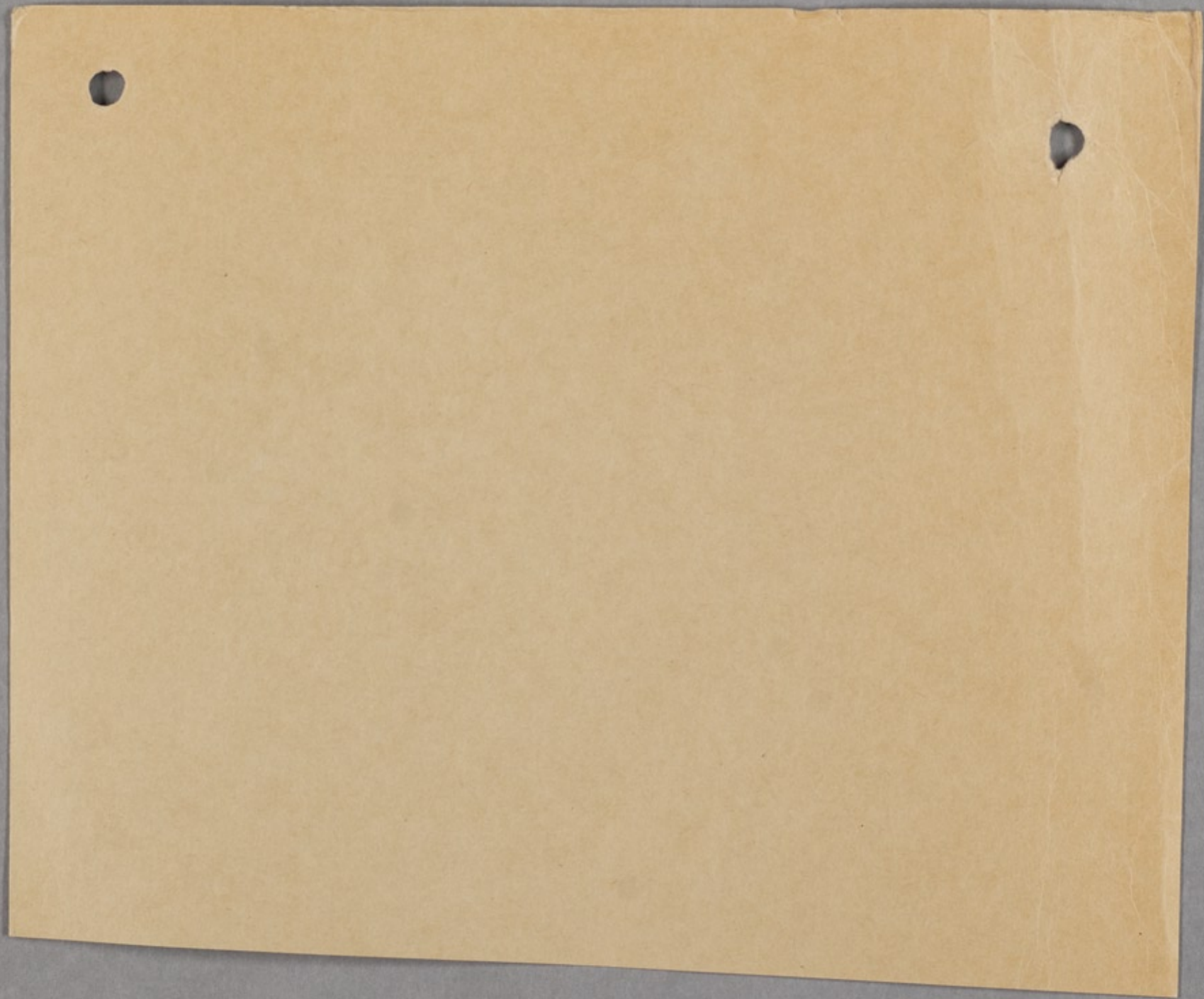
POLICY

PART 1

MAY 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
18.6.79							
5.7.79							
6.7.79							
10.7.79							
14.7.79							
27.7.79							
3.9.79							
18.9.79							

PREM 19/105



PART 1 ends:-

La Chancellery to FST 5.11.79

PART 2 begins:-

Misc 14 (79) 8 20 November 1979

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons Hansard
Columns 480-496

17/07/79
Regional Industrial Policy

House of Commons Hansard
Columns 1302-1321

17/07/79
Regional Industrial Policy

Signed Wayland Date 3 November 2009

PREM Records Team

FROM:

THE RT. HON. LORD HAILSHAM OF ST. MARYLEBONE, C.H., F.R.S., D.C.L.

Reg 107



HOUSE OF LORDS,
SW1A 0PW

5 November 1979

Dear Nigel:

FREE PORTS BILL

✓
NS

You wrote on 29 October about Anthony Steen's amended Ten Minute Rule Motion on free ports.

I understand that in the light of your letter the Chief Whip did not make arrangements for the Bill to be opposed on its introduction, but I agree that its further progress should be blocked as you suggest. I suggest you might have a word with Mr Steen to let him know why we propose to take this line over his Bill.

I am copying this letter to our colleagues on L and E Committees, the Secretary of State for Northern Ireland, the Minister of Transport, and to First Parliamentary Counsel and Sir Robert Armstrong.

Nigel Lawson Esq MP
Financial Secretary to The Treasury
Treasury Chambers
Parliament Street
LONDON

SW1P 3AG

yrs

- 6 NOV 1979



Wales
Extract from TUC / PM Meeting 29/10/79

The Secretary of State for Wales pointed out that local authority employment in Wales had risen more rapidly over the year to June than in Britain as a whole. He was sure they had room for savings. In any case, the savings required were not as great as they were alleged to be. Assuming the local authorities achieved the 3 per cent cutback this year, they would only have to reduce their spending by a further 1 per cent in 1980-81. There was unfortunately a tendency for local authorities to select reductions which would cause the maximum outcry so as to draw attention to their overall financial position. In reality, the options were usually easier than they made them out to be.

Regional Aid

Mr. Griffiths then raised the question of regional aid. The Wales TUC welcomed some aspects of the July announcement on regional aid: for example, the upgrading of the Wrexham area, the continuation of the rate of grant at 22 per cent in SDA's, and the fact that the DA rate had only been reduced by 5 percentage points. But they felt that the downgrading in Wales as a whole had been too severe (and in particular the downgrading of the South Wales conurbations to intermediate area status), and they were unhappy at the abolition of regional development grant in intermediate areas. Regional aid had played an important part in creating new jobs in Wales generally and it had also helped to stem de-population in mid-Wales. Regional aid was especially important in attracting internationally mobile projects, as the Ford engine project at Bridgend had shown. He understood that final decisions on assisted area coverage in Wales had still not been taken, and hoped that the Wales TUC's arguments would be taken into account.

(At this point the Prime Minister had to leave the meeting).

The Secretary of State for Wales confirmed that the downgrading of central Wales to non-assisted area status by 1982 was subject to review. In addition, marginal boundary changes were being considered in travel-to-work areas, which would be announced fairly shortly.

/ Mr. Butler

CONFIDENTIAL

- 7 -

Mr. Butler added that the purpose of the Government's policy on regional aid was to concentrate assistance where it was most needed. As a result of the changes announced in July, those areas which continued to have assisted area status would do relatively better than they had done in the past. The upgrading of areas had taken place immediately while downgrading would be phased. Even after full implementation of the new policy 94% of Wales in population terms would continue to receive regional assistance of one kind or another. On the question of internationally mobile projects, Section 8 assistance would continue to be available: the recent decision to support the Dow-Corning project was a good example of this. As for the Shotton area, if BSC decided finally to close the steelworks, the Government would seriously consider upgrading the area to SDA status.

(At this point the Chancellor of the Exchequer had to leave the meeting).

The Secretary of State for Wales said that multi-nationals were still showing good interest in Wales. There was no evidence that their interest had diminished since the July announcement. In reply to a question on the timing of remedial measures for Shotton, Mr. Edwards said that he thought there would be great resentment if remedial measures were announced before BSC finally decided on closure.

Economic Planning

Mr. Paul said that he wished to raise one topic with no financial implications. This was the problem of human relations in economic development. The decision to establish a Select Committee on Welsh affairs would help to widen public discussion. Nationally, the Government was facing up to severe economic and social problems, but there was a specific Welsh dimension which would require separate attention. In the review of the powers of the Secretary of State for Wales, trade union involvement must be considered. The Wales TUC saw a strong case for a National Economic Development Council for Wales to fill this need. There was a lack of a continuous planning process taking account of new developments. Such a Council would involve the Government, the Wales TUC

/and the Wales CBI

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Regional
St John
✓ MS

Treasury Chambers, Parliament Street, SW1P 3AG

29 October 1979

The Rt Hon Norman St John-Stevas MP
Chancellor of the Duchy of Lancaster and
Leader of the House of Commons
Cabinet Office
70 Whitehall
LONDON
SW1

Norman St John-Stevas

TEN MINUTE RULE MOTION: FREE PORTS

I wrote to you on 8 October about the handling of Anthony Steen's Ten Minute Rule Motion on Tax Free Zones which was on the Order Paper for 31 October. He has now withdrawn this motion in very similar terms on Free Ports.

I suggested, and the Lord Chancellor agreed, that we should treat the original motion in the normal way: ie, the Government should not oppose the Motion for leave to introduce a Bill, but the Whips should ensure that any resulting Bill does not receive a Second Reading. There does not seem to me to be any reason to treat the new motion any differently.

I am sending copies of this letter to members of L and E Committees, the Secretary of State for Northern Ireland, the Minister of Transport, the Chief Whip, Sir John Hunt, First Parliamentary Counsel and the Secretary of the Legislation Committee.

*Yours faithfully
Nigel Lawson*

NIGEL LAWSON

29 OCT 1979



Regard Policy

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PRIME MINISTER

Enterprise Zones
(E(79) 41 and 55)

BACKGROUND

Enterprise zones were one of the priority strategy items considered by E Committee on 24th July and remitted to MISC 14.

2. MISC 14 considered a report by officials which was subsequently circulated to E Committee on 21st September as E(79) 41. The Chancellor of the Exchequer minuted you the same day, proposing to make a preliminary announcement about enterprise zones at the Party Conference. The Secretary of State for Employment minuted you on 25th September pointing out some difficulties in doing this, and on 1st October your Private Secretary wrote to the Chancellor's Private Secretary saying that in your view no announcement should be made before the proposals had been discussed in E Committee.

3. The Chancellor of the Exchequer's paper (E(79) 55) makes recommendations on the various points raised by the officials' report, and encloses a draft consultative document reflecting those recommendations.

4. Enterprise zones will be seen as a test bed of Conservative philosophy. If they go ahead, it will be very important that some should succeed. You will want to be reasonably sure that the measures proposed are enough to have a substantial economic impact, without unacceptable social consequences. And you will want the result to show, unmistakably, within three or four years from now. If the Committee have doubts about either the effectiveness of the proposals or the time they would take to become effective, they may want either to beef up the existing proposals (which may well be difficult) or to let the whole idea quietly drop. But, even if the Committee have such doubts, they may feel that the best course is to issue a consultation document and take a final decision in the light of the responses to that, and of any further work that can be done during the consultation period.

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5. There is also an overlap between enterprise zones and the proposed Urban Development Corporations for London and Liverpool docklands, but I do not think that this will create any real difficulty.

HANDLING

6. You will want the Chancellor of the Exchequer to introduce his paper. Then I suggest you take the various points for decision in turn.

(a) Purpose of Enterprise Zones

7. MISC 14 endorsed the Officials' assumption quoted in paragraph 2 of the Chancellor of the Exchequer's paper. You might simply invite the Committee to do the same.

(b) Size and Number of Enterprise Zones

8. The draft consultative document says that the number of enterprise zones would be limited initially to about six, and the area covered by each would be relatively small, probably up to about 500 acres. This reflects the assumption made by officials and endorsed by MISC 14, and again you might invite the Committee to give their endorsement, both on size and on number. There may be suggestions that there could be more and bigger enterprise zones, but I doubt if Ministers would want to press these for the experimental stage. The Committee would not be ruling out increases either in size or in number at a later stage.

(c) Guidance on the Choice of Sites

9. The Chancellor of the Exchequer recommends that the sites should be chosen so as to illustrate the range of types of area which might be suitable, including probably at least one in Scotland and perhaps in Wales. Beyond this, he would prefer to leave the choice open at this stage, so that a final choice can be made in the light of the consultations. This seems reasonable, and you might simply ask the Committee whether they agree with the proposal. If Ministers have views for or against particular sites, they might put their views direct to the Chancellor of the Exchequer outside the Committee.

(d) Measures of De-restriction

10. This is likely to be the most difficult part of the discussion.

CONFIDENTIAL

11. The Chancellor of the Exchequer recommends that the consultation document should mention - without commitment - all the ideas for de-restriction mentioned in the officials' report. These include relaxation of health and safety standards and employment protection requirements. In his minute to you of 25th September, the Secretary of State for Employment said "I see great objection to relaxations in these areas limited to particular parts of the country".

12. Your best course might be to go quickly through all the suggestions in paragraphs 3 and 4 of the draft consultation paper annexed to the Chancellor of the Exchequer's paper, and see which items the Ministers directly responsible would want deleted. It may be that the employment items will be the only ones. You might then ask the Committee to assume that all such requests for deletions are accepted, and to consider whether the remaining list of relaxation measures makes up a credible package of non-fiscal measures for enterprise zones. If the general view is "yes" you may be able to get the Chancellor of the Exchequer to agree not to press his case against individual Ministers' requests for deletions. But if the feeling is that the remaining relaxations are not enough to make a credible package, you might ask the Ministers pressing for the deletion whether they really want to press their case to the point of putting the enterprise zones concept in jeopardy.

(e) Possible Fiscal Measures

13. The Chancellor of the Exchequer proposes to mention three, but only three, possible fiscal relaxations in the consultative document. He would omit some others which were considered by officials. You may find that other Ministers want to reinstate some of these (at MISC 14, the Secretary of State for the Environment was interested in the free port concept which the Chancellor does not think is a runner). But you will no doubt want to support the Chancellor in resisting such claims.

(f) Consultations with Local Authorities and other Interests

14. If the Committee have reached agreement so far, this is clearly the next step. But you will want to consider Ministerial responsibility and the drafting of the consultation document - the two next items.

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(g) Ministerial Responsibility

15. This is for you to decide. But both the Chancellor of the Exchequer and the Secretary of State for the Environment would be content for the Chancellor (as originator of the enterprise zones concept) to make the announcement launching the consultative document, and for the Secretary of State for the Environment to assume responsibility from that point on. If you agree with this, you might say so at the meeting.

(h) Drafting of the Consultation Document

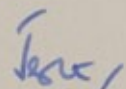
16. You might turn the Committee's attention to the draft at Annex A, and see if anyone has points of substance on it, other than points already raised in discussion. You might suggest that drafting points should be discussed directly with the Chancellor of the Exchequer.

(i) Timing

17. If agreement has been reached so far, you might ask the Chancellor of the Exchequer when he would propose to make his announcement, and in what form. You might suggest that he agrees the precise timing with you and the Paymaster General, and that he circulates a draft of his statement and a final draft of the consultative document to colleagues in advance.

CONCLUSIONS

18. You will want to record the Committee's conclusions on Items (a) - (i) above.


(John Hunt)

22nd October 1979



Mr Hoskyns

CF
hold for

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

next week's
E
23.10.79

PRIME MINISTER

and

ENTERPRISE ZONES

In my minute of ~~21~~ September, I proposed to circulate to colleagues the draft of a statement in very general terms on Enterprise Zones to be made at the Party Conference. You doubted whether it would be possible to do this before the concept of Enterprise Zones had been discussed in E Committee. I trust the meeting of E Committee on 23 October will give us an opportunity to consider the concept itself, and, if it is accepted, to decide on the next steps to be taken. I shall shortly be circulating a paper.

2. Peter Walker wrote to me on 26 September suggesting that we should try to avoid green-field sites suitable for agricultural purposes. I have sympathy with his point of view. I originally proposed Enterprise Zones as a means of overcoming urban dereliction. But I take the point in Tom King's minute to you of 3 October about the advantages of green-field sites in terms of saving public expenditure on reclamation or infrastructure. I would suggest to colleagues that we try hard to find sites within urban areas which would offer opportunities for a significant amount of development within a reasonable timetable and at relatively little cost to the public sector. I agree, however, that we should not at this stage rule out of consideration the possibility of selecting some locations which could be easier to develop. This is, however, a point which we can discuss in E Committee.

CONFIDENTIAL



3. I am copying this minute to members of E Committee, the Secretaries of State for Scotland, Wales and Northern Ireland, the Minister of Transport and Sir John Hunt.

Mark Hall

[G.H.]

15 October 1979

[Approved by the Chancellor of the Exchequer
and signed in his absence]

CONFIDENTIAL

1915



CONFIDENTIAL

CONFIDENTIAL

Reginald For
MS

oio
(N.S.S.)



Treasury Chambers, Parliament Street, SW1P 3AG

8 October 1979

The Rt Hon Norman St John-Stevas MP
Chancellor of the Duchy of Lancaster and
Leader of the House of Commons
Cabinet Office
70 Whitehall
LONDON
SW1

Norman

TEN MINUTE RULE MOTION: TAX FREE ZONES

Mr Anthony Steen has a Ten Minute Rule Motion on the Order Paper for Wednesday 31 October on the subject of Tax Free Zones.

Since the Motion deals with taxation, I think it is for the Treasury to take the lead. As for the handling of the Motion, there does not seem to be any need to depart from the normal practice: ie, the Government should not oppose the Motion for leave to introduce a Bill, but the Whips should ensure that any resulting Bill does not receive a Second Reading.

You and those to whom I am copying this letter will be aware that work is currently being done on a package of measures relating to Enterprise Zones. The sort of changes Mr Steen would like to see may be similar to some of those to be put forward by the Government.

I am sending copies of this letter to members of L and E Committees, the Secretary of State for Northern Ireland, the Minister of Transport, the Chief Whip, Sir John Hunt, First Parliamentary Counsel and the Secretary of the Legislation Committee.

*Yours
Nigel*

NIGEL LAWSON

19 OCT 1973
6161 130 6



CONFIDENTIAL

Reg. P.M. vb



10 DOWNING STREET

c. HO
FCO
D/I + below
LPO + Hoskyns
D/M + Wilkinson
MAFF
D/IDE
D/N
CS, H&T
DOE

From the Private Secretary

1 October 1979

Enterprise Zones

The Prime Minister has considered the Chancellor of the Exchequer's minute of 21 September, and the minute of 25 September from the Secretary of State for Employment.

The Prime Minister does not think that the Chancellor can announce the creation of Enterprise Zones, even in very general terms, at the Party Conference before his proposals have been discussed in E Committee. In her view, the proposals are not yet sufficiently worked out to warrant an announcement.

The Chancellor's paper - E(79)42 - on "Priority Strategy Proposals" is expected to be taken in E Committee in the week beginning 22 October; no doubt his proposals on Enterprise Zones can be taken at the same time.

I am sending a copy of this letter to the Private Secretaries to other members of E Committee, the Secretaries of State for Scotland, Wales and Northern Ireland, the Minister of Transport and to Martin Vile (Cabinet Office).

T. P. LANKESTER

M.A. Hall, Esq.,
H.M. Treasury.

CONFIDENTIAL

Handwritten mark resembling a stylized 'B' or '3' with a downward arrow.

MR LANKESTER

R 1/2

Regional Policy

No special comments on the Chancellor's minute to the Prime Minister on enterprise zones. I have not seen Prior's objections, but, in my conversations with him, they have usually related to the creating of "second-class workers" in terms of terms and conditions, safety practices etc. Your suggestion seems sensible to me. We certainly ought to get the general announcement in at the Party Conference. The Chancellor is very keen to do that.



JOHN HOSKYNS

1 October 1979



From the Minister

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

CONFIDENTIAL

The Rt Hon Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London SW1P 3AG

MBM
5/27/9
26 September 1979

Dear Chancellor,

In your minute of 21 September to the Prime Minister you reported on the development of ideas on Enterprise Zones and asked for comments.

For my part, I would be content that we should consult on as wide a range of "decontrol" measures as we can, since we shall no doubt have to prune the list in the light of consultations. As for the sites, I agree that we should name only a few possibilities. Of those suggested, the two greenfield sites should not, in my view, figure in the short list. Far from being derelict, both are suitable for agricultural purposes; indeed the one at Boldon is in full use while that at Speke incorporates high quality land. Quite apart from the fact that their use would be contrary to Government land use policy, it seems to me that we would be getting away from the concept of overcoming concentrations of particular physical or economic decay if we were to select areas of this kind.

I am sending copies of this letter to the Prime Minister, members of E Committee, the Secretaries of State for Scotland, Wales and Northern Ireland, the Minister of Transport and Sir John Hunt.

Yours sincerely
Francis Thompson
A.P.S.

PETER WALKER
Approved by the Minister and
signed in his absence

26 SEP 1979



A

PRIME MINISTER

ENTERPRISE ZONES

I am writing to comment on Geoffrey Howe's minute of 21 September 1979.

Geoffrey's proposal is to make a preliminary announcement in general terms at the Party Conference, and follow this up with detailed consultations. I think there are difficulties about the whole concept of Enterprise Zones and I think it would have been better if we could have discussed them in E Committee before deciding on any announcement even in general terms. However, if it is the general wish of my colleagues that the Chancellor should make a preliminary announcement without further discussion between ourselves, I would like the following points to be borne in mind.

The report by officials is not an agreed report and it includes in the list of proposals for relaxation, Health and Safety Standards and Employment Protection (including Wages Council) requirements. I see great objection to relaxations in these areas limited to particular parts of the country. I do not think it is feasible to try to run two standards in the field of social legislation.

I would therefore be very much in favour of Geoffrey's suggestion that there might be a discussion in E Committee before the stage of detailed consultations. I am assuming that any general statement at the Party Conference would not mention particular matters like Health and Safety or Employment Protection.

I am copying this minute to the members of E Committee, to the Secretaries of State for Scotland, Wales and Northern Ireland, to the Minister of Transport and Sir John Hunt.

JP

25 September 1979

26 SEP 1979



Prime Minister

*cc Mr Postleyns
Wolfson*



The Chancellor wants to announce this idea in general terms at the Party Conference. Mr Prior (Flag A) is not altogether happy, but in any case wants a discussion before there are detailed consultations. Shall we say -

- i) yes to general announcement
- ii) early discussion in E Committee

Treasury Chambers, Parliament Street, SW1P 3AG

I really don't think we can announce such an important idea at the Party Conference before we have
PRIME MINISTER

discussed it in E Committee. It would soon become painfully obvious that we haven't worked it out.

One of the priority items which E Committee agreed on 24th July to remit to MISC 14 under my Chairmanship was a rapid review of the Enterprise Zone concept.

E(79) 62/41/41

*TL
26/9*

Flag B

2. MISC 14 considered all the priority items at their meeting on 14th September and I shall be putting a report on them to E Committee for consideration after the Party Conference. I am minuting you separately on Enterprise Zones because certain decisions on them are now becoming urgent.

3. At today's meeting, MISC 14 considered a report by officials under Treasury chairmanship which I am arranging to have circulated to E Committee. (E(79)41).
attached

4. The issues for decision are listed in paragraph 4 of the summary at the beginning of the officials' paper. MISC 14 reached the following decisions, subject to endorsement by E Committee.

- (a) We endorsed officials' understanding that Enterprise Zones are a means of overcoming concentrations of particular physical or economic decay and promoting economic revival by removing the hand of Government as far as possible; that they have no necessary connection with regional policy, unemployment policy, or inner city policy; and that they are to be explicitly experimental, involving therefore a degree of risk.



- (b) We endorsed officials' assumption that sites should, at least initially, be reasonably small in size and restricted in number.
- (c) We were asked to give guidance on the choice of sites. We considered the list at Annex A of the officials' report, which suggested over 20 possible sites. We considered that, in going out to consultation, it would be important not to name more than about half a dozen sites, or the emphasis on the experimental aspect could be lost. The sites should be chosen so as to illustrate the range of types of area which might be suitable, including probably at least one each in Scotland and Wales and perhaps in Northern Ireland. I will circulate proposals later on the list of sites to be suggested, and in the meantime should welcome any comments which colleagues may have based on the officials' list. There would be no need to take decisions on the sites to be chosen for actual experiments for some time yet.
- (d) We were asked to indicate those measures of decontrol which should be examined further in the context of Enterprise Zones, including fiscal measures. A list of 'decontrol' possibilities is given at Annex B of the officials' report, and subject to colleagues' views I should like to indicate in consultation that our minds are open on all these possibilities. But I realise that some of our colleagues will not previously have seen these proposals and may want time to consider them. I can confirm that for my part, I am willing to consider all the fiscal options noted in Annex C, though I believe that i, ii, and iii are the most sensible ones to pursue.



- (e) We were asked to authorise consultation with local authorities and other interests, which would clearly need at some point, to include the Health and Safety Commission, the CBI and the TUC. Subject to colleagues' views I should like to make a preliminary announcement of our intentions at the Party Conference, and follow this up with consultation based on the proposals in the officials' report. I would circulate drafts of my conference statement and of the basis of consultation to colleagues beforehand. The conference statement can be in fairly general terms, both as to sites and as to measures of decontrol. The consultation may have to be rather more specific, and if we cannot agree the basis in correspondence, it will have to be held up until we have a chance to discuss it at E after the Conference. But I hope the delay can be minimised.
- (f) Finally, we were asked to consider Ministerial responsibility for the announcement, the modalities of consultation, and future handling. This is a matter for you to decide. As indicated, I should like to make the announcement at the Party Conference. After that, if you agree, I should like to hand over responsibility for the next stage, including consultation and future co-ordination work to Michael Heseltine, who is willing to take this responsibility on.

5. Are you content that we should proceed in this way?

6. I am copying this minute to our colleagues on E Committee, to the Secretaries of State for Scotland, Wales and Northern Ireland, the Minister of Transport and Sir John Hunt.

A handwritten signature in dark ink, appearing to be 'G.H.' with a flourish.

(G.H.)

21 September, 1979



10 DOWNING STREET

THE PRIME MINISTER

18 September 1979

*Original with
cc DOE Regional Policy*

Dear Councillor Knowles.

Thank you for your letter of 30 August about regional economic planning, and the report "Strategic Plan for the Northern Region" which was submitted to the previous Government in March 1977. I have asked Tom King to send you a detailed reply to the points you made in your letter; but perhaps I might just say that the disbandment of Economic Planning Councils should not be regarded as an indication of policy except in relation to the general review of advisory bodies under which it was carried out.

*Yours sincerely
Margaret Thatcher*

Councillor R. G. Knowles.

RT

CONFIDENTIAL



Regional
Policy NBPM
MJS

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

27th July, 1979

Der Andrew,

ENTERPRISE ZONES, PILOT AREAS ETC.

As you know, your Secretary of State, the Secretary of State for the Environment, and the Chancellor, together with officials from the three Departments, met in the Chancellor's Room on 20th July to decide procedures for carrying forward the ideas being considered in the context of Enterprise Zones, 'Pilot Areas', and the 'Hoskyns' exercise on Strategy. I have delayed recording the conclusions reached until the minutes of the meeting of 'E' Committee on 24th July had been circulated. We can now regard the minutes of Item 4 of that meeting as superseding discussion last Friday of the 'Hoskyns' proposals.

The three Ministers decided to remit work on Enterprise Zones to the Impact of Government on Industry Group (IGI) chaired by Mr. F. Jones, which would report to them by the end of September. As far as specific fiscal measures were concerned, the Treasury would take the lead, together with the appropriate Revenue Department. The non-fiscal measures would also be co-ordinated through IGI but substantial contributions would clearly be required from other departments, especially the Department of the Environment. A number of measures relating to small firms were being looked at in the Enterprise Zone context; here, the Department of Industry would have a special contribution. IGI would consider all the detailed proposals, and would present a co-ordinated report. Ministers stressed that officials should approach the work in an eclectic and imaginative spirit.

IGI would also report on possibilities for 'Pilot Areas'. There was some clarification at the meeting of this concept, which had originally arisen in the course of the Government's consideration of Regional Policy. Whilst Enterprise Zones would necessarily be highly localised, it was envisaged that 'Pilot Areas' might be larger, covering whole travel to work areas in regions of high unemployment. If pilot areas proved

/feasible

Andrew Duguid, Esq.,

CONFIDENTIAL



feasible, Shotton might be a suitable candidate. IGI would consider which of the ideas examined in the Enterprise Zone context were suitable for application in these larger areas; it was recognised that the objections to applying some of the fiscal proposals in larger geographical areas could be formidable.

I am copying this letter to David Edmonds, and to Tim Lankester and Peter Mountfield for information. Copies also go to the officials who were present at last Friday's meeting.

Yours ever,

M.A.

(M. A. HALL)
Private Secretary

cc Mr. Lippitt) Dept. of Industry
Mr. P. Mountfield	
Mr. McQuail) Dept. of the Environment
Mr. H. Cole	
Mr. Isaac	Inland Revenue

27 JUL 1979





SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Square
SW1P 3AG

NBPM
MJ

26 July 1979

I have been following with keen interest the recent exchange of letters on Enterprise Zones and 'pilot areas', culminating in your minute of 13 July to the Prime Minister and the reply from her office of 16 July.

I consider that we must certainly pursue the imaginative ideas which you and others have put forward since we must do everything possible to implement our policy of stimulating the development of private business. This is particularly true in the regional context where we are facing strong criticism - which I fear will be maintained for some time - for the expenditure cuts we are making at a time when industry is going through a particularly slack period. You will have seen, for example, the comments which the CBI both nationally and in Scotland have made about the regional policy cuts. My own approach, therefore, on the new proposals would be to seek links between them and those parts of the assisted areas where our review has shown that the worst economic and industrial problems are concentrated.

It is very clear from the comments which colleagues have made and from the work by officials that a good deal of further careful study is required before we can identify the scope for positive action and I am therefore glad to see from your minute of 16 July that you are putting this further work in hand. In view of the regional significance of the proposals and also the fact that various aspects to be explored (such as planning implications) touch on responsibilities I hold, I would like Scottish Office Ministers and officials to be fully associated with this work at its various levels.

I am copying this letter to the Prime Minister, the other members of the Cabinet and to Sir John Hunt.

GEORGE YOUNGER



27 JUL 1979

GEORGE YOUNGER

supersedes draft laid on 20th July 1979
Draft Order laid before Parliament under the Industry Act 1972,
s.5(6), for approval by resolution of each House of Parliament.

DRAFT STATUTORY INSTRUMENTS

1979 No.

INDUSTRIAL DEVELOPMENT

The Regional Development Grants (Variation of Prescribed
Percentages) Order 1979

Laid before Parliament in draft

Made	1979
Coming into Operation	1979

The Secretary of State, in exercise of his powers under sections 3(1) and 5(4) of the Industry Act 1972(a) and paragraph 2 of Schedule 2 thereto and with the consent of the Treasury, hereby makes the following Order:-

1. This Order may be cited as the Regional Development Grants (Variation of Prescribed Percentages) Order 1979 and shall come into operation on the day after it is made.

2.-- (1) The percentages referred to in paragraph (2) below (being percentages specified in column 2 of the Table in section 1 of the Industry Act 1972) shall be varied in accordance with that paragraph.

(2) For the words "20 per cent" where they appear in relation to expenditure of the descriptions mentioned in Heads 1(a) and 2 in column 1 of the Table, there shall be substituted the words "15 per cent".

(a) 1972 c.63.

3. Notwithstanding that, by reason of Article 2 above, the rate of grant payable under Part I of the Industry Act 1972 in respect of expenditure incurred in providing an asset as part of, or on, or for use in qualifying premises in a development area is reduced, a grant may be made to a person at the rate specified immediately before this Order came into operation in respect of such expenditure if either:-

(a) the asset is provided by him before 1st August 1980 or

(b) the expenditure was defrayed by him before
18th July 1979.

We consent to the making of this Order.

1979

Lord Commissioners of Her
Majesty's Treasury

1979

Department of Industry

EXPLANATORY NOTE

(This Note is not part of the Order)

This Order varies the rate of regional development grant payable under Part I of the Industry Act 1972 on capital expenditure incurred in providing assets on qualifying premises in development areas or for use in those areas. The amount of grant is reduced from 20 per cent to 15 per cent of the expenditure incurred.

The Order also contains transitional provisions. Expenditure will remain eligible for regional development grant at the old rate if it is incurred in respect of assets provided before 1st August 1980 or if it is defrayed before ~~1~~¹th July 1979.

Draft Order laid before Parliament under the Industry Act 1972,
s.5(6), for approval by resolution of each House of Parliament.

D R A F T S T A T U T O R Y I N S T R U M E N T S

1979 No.

INDUSTRIAL DEVELOPMENT

The Regional Development Grants (Variation of Prescribed
Percentages) Order 1979

Laid before Parliament in draft

Made	1979
Coming into Operation	1979

The Secretary of State, in exercise of his powers under sections 3(1) and 5(4) of the Industry Act 1972(a) and paragraph 2 of Schedule 2 thereto and with the consent of the Treasury, hereby makes the following Order:-

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- (a) the asset is provided by him before 1st August 1980 or
- (b) the expenditure was defrayed by him before 17th July 1979.

We consent to the making of this Order.

1979

Lord Commissioners of Her
Majesty's Treasury

1979

Department of Industry

EXPLANATORY NOTE

(This Note is not part of the Order)

This Order varies the rate of regional development grant payable under Part I of the Industry Act 1972 on capital expenditure incurred in providing assets on qualifying premises in development areas or for use in those areas. The amount of grant is reduced from 20 per cent to 15 per cent of the expenditure incurred.

The Order also contains transitional provisions. Expenditure will remain eligible for regional development grant at the old rate if it is incurred in respect of assets provided before 1st August 1980 or if it is defrayed before 17th July 1979.



Chancellor of the Duchy of Lancaster

PRIVY COUNCIL OFFICE
WHITEHALL LONDON SW1A 2AT

20 July 1979

Key B1
M. S. S. M.S.

R
2077

Dear Peter

REGIONAL POLICY DEBATE

The Chancellor of the Duchy has seen your letter to me of 19 July about the motion to be tabled for debate on 24 July.

He has suggested that the section in the first four lines of the draft motion from "whilst recognising" to "management and workforce" would be best omitted.

I am copying this letter to the recipients of yours.

Yours sincerely

Michael Wilkins

PP
CHARLOTTE ECERTON
Private Secretary

Peter Stredder Esq
Private Secretary to the
Secretary of State for Industry
Department of Industry
LONDON SW1

20 JUL 1979





*Regional
Pct*

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

PS/ Secretary of State for Industry

Miss Charlotte Edgerton
Private Secretary to the
Chancellor of the Duchy of Lancaster
Cabinet Office
Whitehall
London SW1

19 July 1979

Dear Charlotte,

R 19/7

REGIONAL POLICY DEBATE

My Secretary of State would like to suggest that the following motion should be tabled for debate on regional policy on Tuesday 24 July:

"That this House, whilst recognising that the best stimulus for regional economic growth is a good reputation for high productivity and cooperation between the management and workforce, welcomes the changes which are being introduced by the Government in regional policy in order to make it more cost effective, to concentrate assistance on areas most in need and to remove anomalies in Assisted Area gradings."

I would be grateful for your comments on this by noon, tomorrow, Friday 20 July.

I am copying this letter to the Private Secretaries to the Prime Minister, the Chancellor, the Lord President, the Secretaries of State for Employment, the Environment, Scotland, Wales, Northern Ireland, Trade and Energy, the Ministry of Agriculture, Fisheries and Food, the Chief Secretary, the Paymaster General and the Chief Whip.

Yours sincerely,

Pete

PETER STREDDER
Private Secretary

19 JUL 1979



PI

1. WHAT EVIDENCE IS THERE TO SUPPORT SIR KEITH JOSEPH'S CLAIM THAT REGIONAL POLICY'S NET EFFECT HAS BEEN TO SHIFT ONLY 10,000 NEW JOBS A YEAR TO ASSISTED AREAS? WHAT EXACTLY DID HE MEAN?
2. HOW CAN YOU PRETEND THAT A CUT OF £233M WILL NOT HAVE A MAJOR EFFECT ON EMPLOYMENT LEVELS? ARE YOU SUGGESTING THAT INVESTMENT DECISIONS WILL BE UNAFFECTED BY A CUT OF THAT MAGNITUDE? WHAT WILL THE REAL EFFECT ON UNEMPLOYMENT BE - NATIONALLY AND IN THE DOWNGRADED AREAS? R
L
3. WILL NOT THE LDC DECISION SUBVERT EVEN WHAT REMAINS OF YOUR REGIONAL POLICY?
4. HAVE YOU NOT CHOSEN TO DO DOWN LABOUR AREAS LIKE THE LANCASHIRE COTTON TOWNS AND SIMULTANEOUSLY TO FAVOUR THE TORY SOUTH-WEST? WHAT CRITERIA DID YOU USE TO MAKE THESE CHOICES?
5. WHERE IS THE INCENTIVE FOR INVESTMENT IN THE AREAS WHICH HAVE BEEN DOWNGRADED? ARE THEY - AND THEIR PEOPLE - NOT BOUND TO SUFFER?
6. WHY WERE YOU SO HARSH TO [/MERTHYR TYDFIL/ [/ANY OTHER EXAMPLE/.
7. DO THE CBI'S COMMENTS NOT FORESHADOW INDUSTRY'S GENERAL REACTIONS?
8. HOW CAN YOU INTRODUCE THESE CUTS - WHICH ARE BOUND TO SLOW DOWN INVESTMENT - WHEN THE MEDIUM TERM ECONOMIC OUTLOOK WAS ALREADY FOR DEFLATION, STEEPLY RISING UNEMPLOYMENT AND LACK OF INTERNATIONAL COMPETITIVENESS?
9. IS YOUR NEW POLICY INTENDED TO PRODUCE JOBS OR TO IMPROVE PRODUCTIVITY? SHOULD IT NOT BE SELECTIVE, AND NOT SO GENEROUS TO CAPITAL-INTENSIVE PROJECTS?

CONFIDENTIAL



PS/ Secretary of State for Industry

Seen by TL.

DEPARTMENT OF INDUSTRY

ASHDOWN HOUSE

123 VICTORIA STREET

LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301

SWITCHBOARD 01-212 7676

17 July 1979

Miss Charlotte Egerton
Private Secretary to the Chancellor of the
Duchy of Lancaster
Cabinet Office
70 Whitehall
London SW1

Dear Charlotte,

... I attach a copy of the Statement my Secretary of State proposes to make this afternoon on Regional Policy at 3.30 pm. He will simultaneously be placing in the Vote Office, the Printed Paper office and the libraries of both Houses, a Written Answer to Mr John Lee. This Written Answer contains a full schedule of Employment Office Areas affected by the changes in Regional Policy, as this material is not suitable for an Oral Statement.

I am copying this letter to the Private Secretaries to the Prime Minister, the Chancellor, the Lord President, the Secretaries of State for Employment, the Environment, Scotland, Wales, Northern Ireland, Trade and Energy, the Minister of Agriculture, Fisheries and Food, the Chief Secretary, the Paymaster General and the Chief Whips in both Houses.

*Yours sincerely,
Pete*

PETER STREDDER
Private Secretary



ANNOUNCEMENT OF REGIONAL INDUSTRIAL POLICY CHANGES 17 JULY

Parliamentary Statement

The Government has completed its review of regional industrial policy and selective financial assistance in Great Britain within the context of its overall economic aims and the steps being taken to encourage national industrial vitality and prosperity. As the House knows the Government seeks to create conditions in which the whole country can prosper, including those areas with severe economic problems.

2 As part of our general framework for industry we propose to continue with a strong - but more selective - regional industrial policy. We shall maintain the three-tier structure of the Assisted Areas (AAs) - that is, Special Development Areas, Development Areas and Intermediate Areas - as well as the existing instruments of regional industrial policy, but concentrating on those parts of the country with the most intractable problems of unemployment.

3 The Assisted Areas currently cover over 40% of the employed population. We propose over a transitional period of three years to reduce this to around 25%, in order to focus on the remaining AAs more effectively, and to treat different parts of the country more consistently and fairly. We propose immediately to upgrade a small number of areas to take account of their changed circumstances. A number of Special Development Areas (SDAs) and Development Areas (DAs) will be downgraded by one step for similar reasons but these changes will not take effect until 1 August 1980. From 1 August 1982 we propose that a number of these areas should be further downgraded, but that of these those due to become non-Assisted Areas (non-AAs) should be the subject of a special review before such descheduling takes final effect. In addition we propose that a number of Intermediate Areas (IAs) should become non-Assisted Areas in three years' time. Full details of these proposed changes

/in ...



in Assisted Areas boundaries and gradings are given in my Written Answer to my Hon Friend the Member for Nelson and Colne and are available in the Vote Office, the Printed Paper Office and the Libraries of both Houses.

4 We propose to maintain Regional Development Grant (RDG) at its present level of 22% in the Special Development Areas, so that assistance will not be reduced in the areas of greatest need. In Development Areas we propose that the rate of grant should be reduced from 20% to 15% on buildings, plant and machinery provided after 1 August 1980. We also propose that the 20% RDG on buildings provided in Intermediate Areas should be abolished from the same date. Finally we propose to raise the minimum levels to £100 for plant and machinery and £1,000 for buildings to £500 and £5,000 respectively in respect of expenditure defrayed on or from 18 July 1979.

Full details of the transitional arrangements are given in my Written Answer to the Hon Member for Nelson and Colne.

Our objective is to maintain reasonable stability in the framework of regional investment incentives and to avoid abrupt changes.

5 In future regional selective assistance under Section 7 of the 1972 Industry Act will be provided in the AAs only where it is necessary to enable projects to go ahead. Particular attention will be paid to the provision of more productive and more secure jobs. I will say something about the future of national selective assistance under Section 8 of the Act in a moment.

6 We consider that factory building is a useful and relatively inexpensive instrument of regional industrial policy and this will continue. We intend however to secure a greater element of self-financing.



7 We have also reviewed the operation of Industrial Development Certificates (IDCs) in the light of our objective of reducing the burden of Government controls on industry. I am satisfied that the IDC procedure can still be useful in identifying large projects which are potentially mobile. I propose however to abolish IDCs in the IAs and to raise the exemption limit to 50,000 sq ft in the non-AAs including the South East.

8 We estimate that these changes will by 1982/83 lead to total savings of £233 million in the expenditure of £609 million on RDGs, regional selective assistance and factory building projected in the 1978 White Paper revalued at 1979 Survey prices. Although expenditure on regional incentives will continue to be substantial, I must emphasise that regional differences will not be reduced simply by redistributing money from taxpayers: there needs also to be local enterprise and plenty of cooperation in making businesses competitive and profitable. Nothing will do more for the prosperity of a region than a reputation for effective work, high productivity and cooperation between workforce and management.

9 Finally, I turn to our decisions on national selective assistance under Section 8 of the 1972 Industry Act - which can of course be paid to enterprises in the AAs as well as in the non-AAs.

10 After consideration the Secretary of State for Energy, the Minister for Agriculture, Fisheries and Food and I have decided to allow the Energy Conservation Scheme and the two remaining sectoral schemes, for Footwear and Redmeat Slaughternouses, to run their course. All applications under these Schemes and any outstanding applications under the other sectoral schemes that have already closed will be processed under existing criteria.



11 The Selective Investment Scheme, for major investment projects, closed for applications on 30 June. All outstanding applications which have not yet been approved will be processed against the existing criteria but we shall interpret these criteria somewhat more stringently than in the past, so that marginal projects will in future not be assisted.

12 For the future, the Government will continue to provide assistance under Section 8, but more selectively than hitherto. We shall continue to offer assistance to enable internationally mobile projects to locate in the UK: this is an area where other governments are also very active. We intend also to support projects leading to very substantial improvements in performance, particularly in productivity, or projects which will result in the introduction of new products. In addition, every project will have demonstrated that it will result in a substantial net contribution to UK output or will introduce a significant degree of innovation to the United Kingdom. Assistance will only be given for projects that would not go ahead as proposed without it, and will be negotiated as the minimum necessary to achieve this.

13 I am laying before the House the four Orders required to introduce the changes in Regional Industrial Policy, one dealing with RDG, one with AA boundaries and gradings and two with IDCs. The RDG Order requires an Affirmative Resolution and my Right Hon Friend the Leader of the House will be announcing shortly the date for a debate next week at the conclusion of which this Resolution will be moved.

*With the Compliments
of the
Private Secretary*

*Scottish Office,
Dover House,
Whitehall,
London SW1A 2AU.*



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

R 17 17

Peter Stredder Esq
Private Secretary to the
Secretary of State for Industry
Department of Industry
Ashdown House
123 Victoria Street
LONDON
SW1E 6RB

17 July 1979

Dear Peter,

R17

REGIONAL POLICY STATEMENT

In your letter of 16 July to Charlotte Egerton you asked for comments by 11 am today on the draft statement which your Secretary of State is to make this afternoon on regional industrial policy changes.

My Secretary of State's only comment is to suggest that paragraph 3 could be made to read more positively and with better credit for the Government if the third and fourth sentences were replaced by the following:-

"We propose immediately to upgrade a number of areas to take account of their changed circumstances and give them the considerable extra help they need. A number of Special Development Areas (SDAs) and Development Areas (DAs) will be downgraded by one step for similar reasons but these changes will not take effect until 1 August 1980."

Mr Younger has also asked me to send you the enclosed copy of his opening speech for the Scottish Grand Committee this morning which your Secretary of State may find useful in preparing for supplementaries from Scottish Members this afternoon.

I am copying this letter to the recipients of yours.

Yours sincerely,
Kenneth Mackenzie

K J MACKENZIE
Private Secretary



DEPARTMENT OF INDUSTRY
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PS/ Secretary of State for Industry

Ms Charlotte Egerton
Private Secretary to the
Chancellor of the Duchy of Lancaster
Cabinet Office
Whitehall SW 1

16 July 1979

Dear Charlotte,

R 177

REGIONAL POLICY ANNOUNCEMENT

... I attach a copy of the announcement which my Secretary of State proposes to make by written answer at 3.15 pm this afternoon. He also intends to lay the relevant Orders at the same time. I would be grateful for your comments and those of other recipients by 12.30 this morning.

I am copying this letter to the Private Secretaries to the Prime Minister, the Chancellor, the Lord President, the Secretaries of State for Employment, the Environment, Scotland, Wales, Northern Ireland, Trade and Energy, the Minister of Agriculture, Fisheries and Food, the Chief Secretary, the Paymaster General and the Chief Whips in both Houses.

*Yours sincerely,
Pete*

PETER STREDDER
Private Secretary



Question

To ask the Secretary of State for Industry whether he can announce the Government's conclusions on future regional industrial policy. (John Lee MP, Nelson & Colne)

Draft Answer

The Government has completed its review of regional industrial policy in Great Britain within the context of its overall economic aims and the steps being taken to encourage national industrial vitality and prosperity. Our aim has been to secure a more cost-effective regional industrial policy which will concentrate expenditure on those parts of the country which have the highest unemployment. We have in this been concerned to reduce the size of the Assisted Areas (AAs) - some of which, particularly among the Intermediate Areas (IAs), have better unemployment levels and prospects than in the non-Assisted Areas (Non-AAs) - in order to focus on the remaining AAs more effectively, and to treat different parts of the country more consistently and fairly; to pursue policies for promoting investment and employment in the AAs more economically and effectively than in the past, to reduce the burden of Government controls on industry, by easing the requirements for Industrial Development Certificates; to maintain reasonable stability in the framework of regional investment incentives and to give reasonable notice of reductions so as to minimise any abrupt impact on industry.

Assisted Area Boundaries and Gradings

A list of the changes in the AAs is attached. The effect will be to cut the proportion of the employed population of Great Britain covered by the AAs from over 40% to around 25%.

Three 'Travel to Work' Areas (TTWAs), all in the South West, are to be added to the AAs as IAs. They are: Torbay, Dartmouth and Kingsbridge.

Five TTWAs which are now IAs (Mexborough, Plymouth, Rhyl, Rotherham and Wigan) are to become Development Areas (DAs).



Four TTWas, and part of a further one, which are now DAs, (Ayr, Kilmarnock, Redruth, Wrexham and the Large Employment Office Area (other than the Isles of Cumbrae) are to become Special Development Areas (SDAs).

Upgradings within the AAs and additions to the AAs will have immediate effect.

Where a place which is now an IA is to become a non-Assisted Area (non-AA) there will be a three years' transitional period. Where a place is to go down by more than one AA grading it will retain its present grading (subject to transitional arrangements) for one year. It will then descend one step and retain that temporary grading for two years after which it will move to its final grading, subject to the review arrangements (see below). Other changes (i.e. those involving places which are to remain as AAs but which will go down one step only) will take place after one year's transition. Regional Development Grant (RDG) will be paid on assets provided during these transitional periods).

The Government will review after two years the progress of areas which it is envisaged will become non-AAs as a result of going down by more than one step.

Regional Development Grants

Rates of Grant

RDG is at present payable at the rate of 22% in the SDAs and 20% in the DAs on capital expenditure incurred for the provision of new plant and machinery, buildings and works and at the rate of 20% in the IAs on new buildings and works. RDG will continue to be paid at the present rate in the SDAs because of the extent of their problems of unemployment and related economic weakness, but the following changes are to be made in the grant payable in the DAs and IAs.

The rate of grant payable in the DAs is to be reduced to 15% and a draft Order giving effect to this proposal has today been laid in

/both ...



both Houses. It is my intention that grant should cease to be paid in the IAs and this will be achieved initially by the exercise of my discretion but the Industry Act, 1972 will be amended as soon as possible in order to give effect to this change.

In order that these changes may take effect gradually it is intended that grant will continue to be payable at the former rate of 20% in both the DAs and IAs on expenditure defrayed before 17 July 1979 and additionally on those assets provided before the 1 August, 1980. The four month deferment on payment of approved claims introduced on 12 June, 1979 will continue.

Minimum Values

RDG is not now paid on individual items of machinery or plant costing less than £100 or on individual buildings, extensions of buildings, adaptations or works costing less than £1,000 except in the case of certain small works where a limit of £100 applies. These levels have applied since March 1972 and the levels are now to be increased to £500 in respect of plant and machinery and £5,000 in respect of buildings and works. These changes will apply to expenditure defrayed on or after 17 July 1979.

Eligibility for RDG where there is a change of AA status

In areas which are to change to a lower category of AA, or to cease to be AAs, entitlement to RDG will continue at present rates on expenditure defrayed before 17 July 1979, and on assets provided before 1 August, 1980. In those areas which are to become DAs from 1 August, 1980 and then IAs or non-AAs from 1 August, 1982, RDG at the rate of 15% will be payable on assets provided on or after 1 August, 1980 and before 1 August, 1982. In those areas to become DAs from 1 August, 1980 and not designated for further change on 1 August, 1982, RDG will be payable at the rate of 15% in accordance with the general rules of the RDG scheme on expenditure incurred in the provision of eligible assets. In areas designated as IAs from 1 August 1980 grant will be payable on expenditure defrayed before 17 July, 1979 on assets provided before 1 August, 1980.

/In ...



In areas which are upgraded RDG will be payable at the rate appropriate to their new Assisted Area status from 17 July, 1979. Where, however, an area is designated as an IA RDG will only be payable on buildings and works provided before 1 August, 1980. In areas upgraded from IAs to DAs the rate of RDG payable will continue to be 20% for buildings and works on buildings and works provided before 1 August, 1980 and thereafter 15%.

Explanatory Notes

Fuller details of all these changes are available in Explanatory Notes, copies of which are available in the Library of the House.

Regional Selective Assistance

In future regional selective assistance will be provided only where it is necessary to enable projects to go ahead. Particular attention will be paid to the provision of more productive and more secure jobs.

Factory Building

Factory building is a useful and relatively inexpensive instrument of regional industrial policy and will continue. The Government intends to secure a greater element of self-financing.

Work of Development Agencies

The operations of the Scottish Development Agency, the Highlands and Islands Development Board, the Welsh Development Agency, the Development Board for Rural Wales, the Development Commission and the Council for Small Industries in Rural Areas are unaffected by this announcement. We will be examining the future role of these bodies in those parts of their present territories which, subject to the review (see above) are to become non-AAs.

/Industrial ...



Industrial Development Certificates

I am satisfied that it is necessary to retain Industrial Development Certificates (IDCs) in order that large projects, which will produce a considerable number of new jobs, can be identified at an early stage and the possibility of carrying them out in the AAs can be discussed with the companies concerned.

On the other hand, I recognise that very few IDC applications have been refused in recent years, and it is clear that the current arrangements place an unnecessary burden on industry. In particular, IDCs are now freely available in the IAs so that the requirement has only a limited practical effect there. I therefore intend to exempt all IAs from the need for IDCs, including those IAs which are to become non-AAs in three years' time, although these areas will again become subject to the IDC requirement when they become non-AAs.

The exemption limit will be raised to 50,000 sq ft throughout the non-AAs including the South East. This will enable large projects to be identified, while enabling smaller projects to go ahead more quickly.

These changes in the IDC arrangements will come into effect on 6 August 1979.

Other Government Policies

The results of the Government's review of regional industrial policy will be taken into account in considering the future operation of other Government policies affecting the location of industry and the AAs.

Public Expenditure

The public expenditure provision in 1982-83 contained in Cmnd 7439 for RDGs, regional selective assistance, and the provision of land and buildings was £609 million at 1979 Survey Prices. Following the changes proposed we are reducing this requirement by £233 million.



Orders

I am laying before the House today the following 4 Orders

The Regional Development Grants (variation of prescribed percentages) Order 1979;

The Assisted Areas Order 1979;

The Town and Country Planning (Industrial Development Certificates: Exemption) Order 1979;

The Town and Country Planning (Industrial Development Certificates) Regulations 1979;

required to introduce these changes.

Debate

My Rt Hon Friend the Leader of the House will be announcing shortly the date for a debate at the conclusion of which will be moved the Affirmative Resolution for the RDG Order.

AREAS WITH CHANGED STATUS

SCOTLAND	Present Status	Revised Status	Date(s) of change(s)
<u>TTWA's/EOA's</u>			
Aberdeen TTWA Aberdeen EOA (incl. Inverurie EOA) Stonehaven EOA	1A	Non AA	1 Aug 1982
Ayr TTWA Ayr EOA Troon EOA	DA	SDA*	18 JULY 1979
Dumfries TTWA Dumfries EOA Annan EOA Lockerbie EOA	DA	Non AA	IA 1 AUG 1980 Non AA 1 AUG 1982
Edinburgh TTWA Dalkeith EOA Edinburgh EOA Leith EOA Loanhead EOA Musselburgh EOA Portobello EOA Tranent EOA Penicuik EOA	DA	Non AA	IA 1 AUG 1980 Non AA 1 AUG 1982
Greenock TTWA Largs EOA only	DA	SDA*	18 JULY 1979
Kilmarnock TTWA Kilmarnock EOA (incl Newmilns EOA)	DA	SDA*	18 JULY 1979
Kirkcaldy TTWA Leven & Methil EOA only	SDA	DA	1 AUG 1980
Perth TTWA Perth EOA Crieff EOA	DA	Non AA	IA 1 AUG 1980 Non AA 1 AUG 1982
Stirling TTWA Stirling EOA Alloa EOA	DA	1A	1 AUG 1980
Anstruther EOA	DA	1A	1 AUG 1980
Banff EOA	DA	Non AA	} IA 1 AUG 1980 } Non AA 1 AUG 1982
Buckie EOA	DA	Non AA	
Castle Douglas EOA	DA	1A	1 AUG 1980
Cupar EOA	DA	Non AA	IA 1 AUG 1980 Non AA 1 AUG 1982

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SCOTLAND (Cont)	Present Status	Revised Status	Date(s) of Change(s)
<u>TTWA/EOA</u>			
Elgin EOA	DA	Non AA	} IA 1 AUG 1980 Non AA 1 AUG 1982
Eyemouth EOA	DA	Non AA	
Forfar EOA	DA	Non AA	
Forres EOA	DA	Non AA	
Fraserburgh EOA	DA	Non AA	
Galashiels EOA	DA	Non AA	
Girvan EOA	SDA	DA	1 AUG 1980
Haddington EOA	DA	Non AA	} IA 1 AUG 1980 Non AA 1 AUG 1982
Hawick EOA	DA	Non AA	
Huntly EOA	DA	Non AA	
Kelso EOA	DA	Non AA	
Kirkwall EOA	DA	Non AA	
Lerwick EOA	DA	Non AA	
Montrose EOA (incl Brechin EOA)	DA	Non AA	
Nairn EOA	DA	Non AA	
Peebles EOA	DA	Non AA	
Peterhead EOA	DA	Non AA	
St Andrews EOA	DA	Non AA	

Wales	Present Status	Revised Status	Date(s) of change(s)	
<u>TTWA/EOA</u>				
Caernarvon TTWA Caernarvon EOA Bangor EOA Bethesda EOA Penygroes EOA	SDA	DA	} 1 Aug 1980	
Llandudno TTWA Conwy EOA only	DA	IA		
Llanelli TTWA Ammanford EOA) Garnant EOA)	SDA	DA		
Burry Port EOA) Kidwelly EOA) Tumble EOA) Llanelli EOA)	DA	IA		
Merthyr Tydfil TTWA Merthyr Tydfil EOA Treharris EOA	SDA	DA		
Neath TTWA Neath EOA Resolven EOA	SDA	DA		
Newport TTWA Newbridge EOA Risca EOA	SDA DA	IA IA		} DA 1 Aug 1980 IA 1 Aug 1982
Pontypridd TTWA Pontypridd EOA Llantrisant EOA Tonyrefail EOA Only	SDA	DA		
Port Talbot TTWA Cymmer EOA Maesteg EOA Port Talbot EOA Bridgend EOA Porthcawl EOA	SDA SDA DA DA DA DA	DA DA IA IA IA IA		} 1 Aug 1980
Pwllheli TTWA Pwllheli EOA Porthmadog EOA	SDA	DA		
Swansea TTWA Pontardawe EOA Ystradgynlais EOA Swansea EOA Gorseinon EOA Monkton EOA	SDA SDA DA DA DA	DA DA IA IA IA		

Wales	Present Status	Revised Status	Date(s) of change(s)
<u>TTWA/EOA</u>			
Wrexham TTWA Wrexham EOA	DA	SDA*	17 JULY 1979
(incl Rhosllanerchrugog EOA) Cefn Mawr EOA	SDA	DA	1 AUG 1980
Aberdare EOA (incl Mountain Ash EOA)	SDA	DA	1 AUG 1980
Aberystwth EOA	DA	Non AA	} IA 1 AUG 1980
Barmouth EOA	DA	Non AA	} Non AA 1 AUG 1982
Blaenau Ffestiniog EOA	SDA	DA	- 1 AUG 1980
Brecon EOA	DA	Non AA	} IA 1 AUG 1980
Carmarthen EOA	DA	Non AA	} Non AA 1 AUG 1982
Denbigh EOA	DA	IA	1 AUG 1980
Llandeilo EOA	DA	Non AA	} IA 1 AUG 1980
Llandrindod Wells EOA	DA	Non AA	} Non AA 1 AUG 1982
Llangollen EOA	DA	IA	} 1 AUG 1980
Llanwrst EOA	DA	IA	} 1 AUG 1980
Machynlleth EOA	DA	Non AA	} IA 1 AUG 1980
Newtown EOA	DA	Non AA	} Non AA 1 AUG 1982
Rhyl EOA	IA	DA*	17 JULY 1979
Tenby EOA	DA	IA	1 AUG 1980
Tywyn EOA	DA	Non AA	} IA 1 AUG 1980
Welshpool EOA	DA	Non AA	} Non AA 1 AUG 1982

*Denotes upgrading

North	Present Status	Revised Status	Date(s) of change(s)
<u>TTWA/EoA</u>			
Alnwick TTWA Alnwick EoA Amble EoA	DA	IA	1 Aug 1980
Darlington & SW Durham TTWA Bishop Auckland EoA (incl Shildon EoA)	SDA	IA	} DA 1 Aug 1980 IA 1 Aug 1982
Darlington EoA Newton Aycliffe EoA	DA DA	IA IA	
Central Durham TTWA Crook EoA Durham EoA Spennymoor EoA	SDA	DA	} 1 Aug 1980
Furness TTWA Barrow-in-Furness EoA Dalton-in-Furness EoA Ulverston EoA (incl Grange-over-Sands EoA)	DA	Non AA	
Kendall TTWA Kendal EoA Windermere EoA	DA	Non AA	} IA 1 Aug 1980 Non AA 1 Aug 1982
Morpeth TTWA Ashington EoA) Bedlington EoA) Blyth EoA) Cramlington EoA) Only)	SDA	DA	
Whitehaven TTWA Whitehaven EoA Cleator Moor EoA Millen EoA	SDA	DA	1 Aug 1980
Workington TTWA Aspatria EoA Cockermouth EoA Maryport EoA Workington EoA	SDA	DA	1 Aug 1980
Barnard Castle EoA	DA	Non AA	} IA 1 Aug 1980 Non AA 1 Aug 1982
Berwick EoA	DA	Non AA	
Carlisle EoA	DA	Non AA	} DA 1 Aug 1980 Non AA 1 Aug 1982
Haltwhistle EoA	SDA	Non AA	
Hexham EoA	DA	Non AA	} IA 1 Aug 1980 Non AA 1 Aug 1982
Keswick EoA	DA	Non AA	
Penrith EoA	DA	Non AA	

North West TTWA/EOA	Present Status	Revised Status	Date(s) of change(s)
<u>TTWA/EOA</u>			
Accrington TTWA Accrington EOA Great Harwood EOA	IA	Non AA	1 Aug 1982
Ashton-under-Lyne TTWA Denton EOA Glossop EOA Hyde EOA Mossley EOA Stalybridge EOA Ashton-under-Lyne EOA	IA	Non AA	
Blackburn TTWA Blackburn EOA Darwen EOA	IA	Non AA	
Bolton TTWA Bolton EOA Farnworth EOA Horwich EOA Westhoughton EOA	IA	Non AA	
Burnley TTWA Burnley EOA Padiham EOA	IA	Non AA	
Bury TTWA Bury EOA Heywood EOA Radcliffe EOA Ramsbottom EOA	IA	Non AA	
Crewe TTWA Crewe EOA Congleton EOA Nantwich EOA Sandbach EOA	IA	Non AA	
Leigh TTWA Leigh EOA Atherton and Tyldesley EOA	IA	Non AA	
Nelson TTWA Nelson EOA Colne EOA	IA	Non AA	
Northwich TTWA Northwich EOA Middlewich EOA Winsford EOA	IA	Non AA	

North West (cont'd)	Present Status	Revised Status	Date(s) of change(s)
<u>TTWA/EOA</u>			
Manchester TTWA Altrincham EOA Didsbury EOA Eccles EOA Irlam EOA Levenshulme EOA Manchester City EOA Marple EOA Middleton EOA Moss Side EOA Newton Heath EOA Openshaw EOA Prestwich EOA Salford EOA Stockport EOA Stretford EOA Swinton EOA Wilmslow EOA Worsley EOA Wythenshawe EOA	IA	Non AA	} 1 Aug 1982
Oldham and Chadderton TTWA Oldham and Chadderton EOA Failsworth EOA Royton EOA	IA	Non AA	
Ormskirk TTWA Ormskirk EOA Skelmersdale EOA (<u>excluding</u> the New Town)	IA IA	Non AA Non AA	
Preston TTWA Preston EOA Bamber Bridge EOA Chorley EOA Leyland EOA	IA	Non AA	
Rossendale TTWA Rawtastall EOA Bacup EOA Haslingden EOA	IA	Non AA	
Rochdale TTWA Rochdale EOA Littleborough EOA	IA	Non AA	
Warrington TTWA Warrington EOA Newton-le-Willows EOA	IA	Non AA	

North West (cont'd)	Present Status	Revised Status	
<u>TPWA/EOA</u>			
Wigan TPWA	1A	DA*	17 JULY 1979
Wigan EOA			
Ashton-in-Makerfield † EOA			
Hindley EOA			
Barnoldswick EOA	1A	Non AA	} 1 AUG 1982
Chester EOA	1A	Non AA	
Clitheroe EOA	1A	Non AA	
Macclesfield EOA	1A	Non AA	
St Helens EOA	SDA	DA	— 1 AUG 1980

† including that part of the St. Helens EOA which was part of Ashton-in-Makerfield EOA in 1972

Yorkshire and Humberside	Present Status	Revised Status	Date(s) of change(s)	
<u>TTWA/EOA</u>				
Castleford TTWA Castleford EOA Knottingley EOA Normanton EOA Pontefract EOA	IA	Non AA	} 1 AUG 1982	
Dewsbury TTWA Dewsbury EOA Batley EOA Spenn Valley EOA	IA	Non AA		
Halifax TTWA Halifax EOA Elland EOA Brighouse EOA Hebden Bridge EOA Sowby Bridge EOA	IA	Non AA		
Leeds TTWA Bramley EOA Horsforth EOA Hunslet EOA Leeds EOA Morley EOA Otley EOA Rothwell EOA Seacroft EOA Vetherby EOA Yeadon EOA	IA	Non AA		
Mexborough TTWA Mexborough EOA Goldthorpe EOA	IA	DA*		} 17 JULY 1979
Scunthorpe TTWA Scunthorpe EOA Barton-on-Humber EOA	IA	Non AA		} 1 AUG 1982
Sheffield TTWA Sheffield EOA Chapelton EOA Dinnington EOA Firth Park EOA Woodhouse EOA	IA	Non AA		
Wakefield TTWA Hemsworth EOA South Elmsall EOA Wakefield EOA	IA	Non AA		

*Denotes upgrading

Yorkshire and Humberside	Present Status	Revised Status	Date(s) of change(s)
<u>TFWA/EOA</u>			
Drifffield EOA	IA	Non AA	} 1 AUG 1982
Filey EOA	IA	Non AA	
Harrogate EOA	IA	Non AA	
Huddersfield EOA	IA	Non AA	
Keighley EOA	IA	Non AA	
Malton EOA	IA	Non AA	
Northallerton EOA	IA	Non AA	
Pickering EOA	IA	Non AA	
Ripon EOA	IA	Non AA	
Rotherham EOA	IA	DA*	
Scarborough EOA	DA	IA	- 1 AUG 1980
Selby EOA	IA	Non AA	} 1 AUG 1982
Skipton EOA	IA	Non AA	
Thirsk EOA	IA	Non AA	
Todmorden EOA	IA	Non AA	
Whitby EOA	DA	IA	- 1 AUG 1980
York EOA	IA	Non AA	- 1 AUG 1982

*Denotes upgrading

West Midlands	Present Status	Revised Status	Date(s)	of change(s)	
<u>TTWA/EOA</u> Oswestry EOA	1A	Non AA	}		
<u>East Midlands</u>					
<u>TTWA/EOA</u>					
Buxton TTWA Buxton EOA New Mills EOA	1A	Non AA			
Nottingham TTWA Heanor EOA only	1A	Non AA			
Chesterfield TTWA Chesterfield EOA Clay Cross EOA Eckington EOA Staveley EOA Dronfield EOA (previously part of Chesterfield EOA)	1A	Non AA			1 Aug 1982
Sutton-in-Ashfield TTWA Sutton-in-Ashfield EOA Kirkby-in-Ashfield EOA (previously part of Sutton-in-Ashfield EOA)	1A	Non AA			
Alfreton EOA	1A	Non AA			
Horncastle EOA	1A	Non AA			
Louth EOA	1A	Non AA			
Worksep EOA	1A	Non AA			

South West	Present Status	Revised Status	Date(s) of Change(s)
TTWA/EOA			
Plymouth TTWA	1A	DA*	17 JULY 1979
Plymouth EOA			
Devonport EOA			
Plympton EOA			
Saltash EOA			
Tavistock EOA			
Redruth TTWA	DA	SDA*	17 JULY 1979
Redruth EOA			
Camborne EOA			
Hayle EOA			
Torbay TTWA	NonAA	IA*	17 JULY 1979
Ashburton EOA			
Bevey Tracey EOA			
Brixham EOA			
Newton Abbott EOA			
Paignton EOA			
Teignmouth EOA			
Torquay EOA			
Totnes EOA			
Barnstaple EOA	DA	IA }	1 AUG 1980
Bideford EOA	DA	IA }	
Dartmouth EOA	NonAA	IA* }	17 JULY 1979
Kingsbridge EOA	NonAA	IA* }	
Okehampton EOA	1A	NonAA	1 AUG 1982

* Denotes upgrading

16 JUL 1979



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#8



10 DOWNING STREET

From the Private Secretary

16 July 1979

Dear Peter

BF for Mansard

Regional Industrial Policy

The Prime Minister has seen your letter of 13 July to Tim Lankester, setting out your proposed timetable for your announcement on Regional Industrial Policy.

She has commented that she thinks it unwise to make an announcement of this sort by written answer rather than oral statement, and we have subsequently agreed that your Secretary of State will make an oral statement on Tuesday 17 July.

It follows that the Press Conference arranged for today, the written answer scheduled for today and the laying of the orders must all be postponed; and the Prime Minister has asked that any Press Conference should be held after, and not before, your Secretary of State's statement in the House.

I am copying this letter to Tony Battishill (H.M. Treasury), Ian Fair (Department of Employment), David Edmonds (Department of the Environment), Kenneth MacKenzie (Scottish Office), George Craig (Welsh Office), Joe Pilling (Northern Ireland Office), John Stevens (Chancellor of the Duchy of Lancaster's Office), Bill Burroughs (Department of Energy), Garth Waters (Ministry of Agriculture, Fisheries and Food), Alistair Pirie (Chief Secretary's Office), Richard Prescott (Paymaster General's Office), Murdo Maclean (Chief Whip's Office) and Charles Cumming-Bruce (Chief Whip's Office, House of Lords).

Yansen

Nick Sales

Peter Stredder, Esq.,
Department of Industry.

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JS

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DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

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SWITCHBOARD 01-212 7676

PS/Secretary of State for Industry

16 July 1979

Miss Charlotte Egerton
Private Secretary to the Chancellor of
the Duchy of Lancaster
Cabinet Office
Whitehall
London SW1

~~Prime Minister~~

in sec

Contact with
this draft?

Dear Charlotte

REGIONAL POLICY STATEMENT

R

16/7

... I attach a copy of the statement which my Secretary of State proposes to make in the House tomorrow afternoon. He also intends to lay the relevant orders at the same time. My Secretary of State also proposes to reply to Mr John Lee's Question tomorrow in similar terms to the draft I sent to you earlier today. However, the opening paragraph of that draft will be replaced by the following:

This is purely factual

"I refer my Hon Friend to the statement which I made after Questions today. Fuller details of the changes we are introducing are given below."

||

On Page 4 of that draft, immediately after the side heading Work of Development Agencies, the opening words should read "The functions" and not "The operations". I would be grateful for your comments and those of other recipients by 11.00 am tomorrow morning. My Secretary of State has not yet seen the announcement in final form and I will let you know if he makes any further substantive changes to it.

I am copying this letter to the Private Secretaries to the Prime Minister, the Chancellor, the Lord President, the Secretaries of State for Employment, the Environment, Scotland, Wales, Northern Ireland, Trade and Energy, the Minister of Agriculture, Fisheries & Food, the Chief Secretary, the Paymaster General and the Chief Whips in both Houses.

Yours sincerely,

Peter Spredner

PETER SPREDDNER
Private Secretary



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ANNOUNCEMENT OF REGIONAL INDUSTRIAL POLICY CHANGES - 17 JULY

Draft Parliamentary Statement

The Government has completed its review of regional industrial policy and selective financial assistance in Great Britain within the context of its overall economic aims and the steps being taken to encourage national industrial vitality and prosperity. [As the House knows the Government is ~~trying to~~ create^{ing} conditions in which the whole country can prosper, including those areas with severe economic problems, with a reasonable balance between jobs wanted and jobs available.]

2 As part of our general framework of measures for industry we propose to continue with a strong - but more selective - regional industrial policy. We shall maintain the three-tier structure of the Assisted Areas (AAs) as well as the existing instruments of regional industrial policy, but concentrating on those parts of the country with the most intractable problems of unemployment. In this we have had regard both to the changed economic circumstances of the country since the present policies were established in 1972 as well as the need to make the expenditure involved more cost-effective.

3 The Assisted Areas currently cover over 40% of the employed population. We propose over a transitional period of three years to reduce this to around 25%, in order to focus on the remaining AAs more effectively, and to treat different parts of the country more consistently and fairly. However in the immediate future we propose that a number of areas should be upgraded to take account of their changed circumstances. From 1st August 1980 we propose that a number of Special Development Areas (SDAs) and Development Areas (DAs) should be downgraded by one step. From 1st August 1982 we propose that a number of these areas should be further downgraded, but that of these those due to become non-Assisted Areas (non-AAs) should be the subject of

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a special review before such descheduling takes final effect. In addition we propose that a number of Intermediate Areas (IAs) should become non-Assisted Areas in three years' time. Full details of these proposed changes in Assisted Area boundaries and gradings (are given in my Written Answer to My Hon Friend the Member for Nelson and Colne and) are available in the Library.

4 We propose to maintain Regional Development Grant (RDG) at its present level of 22% in the Special Development Areas, so that assistance will not be reduced in the areas of greatest need. In Development Areas we propose that the rate of grant should be reduced from 20% to 15% on buildings, plant and machinery provided after 1st August 1980. We also propose that the 20% RDG on buildings provided in Intermediate Areas should be abolished from the same date. Finally we propose to raise the minimum levels of £100 for plant and machinery and £1,000 for buildings to £500 and £5,000 respectively in respect of expenditure defrayed on or after 18 July 1979.

(Full details of the transitional arrangements are given in my Written Answer to the Hon Member for Nelson and Colne.)

Our objective is to maintain reasonable stability in the framework of regional investment incentives and to avoid abrupt changes so far as possible.

5 We consider that factory building is a useful and relatively inexpensive instrument of regional industrial policy and this will continue. We intend however to secure a greater element of self-financing.

6 In future regional selective assistance under Section 7 of the 1972 Industry Act will be provided in the AAs only where it is necessary to enable projects to go ahead. Particular attention will be paid to the provision of more productive and more secure jobs. I will say something about the future of



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national selective assistance under Section 8 of the Act in a moment.

7 We have also reviewed the operation of Industrial Development Certificates (IDCs) in the light of our objective of reducing the burden of Government controls on industry. I am satisfied that the IDC procedure can still be useful in identifying large projects which are potentially mobile. I propose however to abolish IDCs in the IAs and to raise the exemption limit to 50,000 sq ft in the non-AAs including the South East.

8 We estimate that these changes will lead to total savings in expenditure on RDGs, regional selective assistance and factory building of £233m out of £609m in 1982/83 at 1979 Survey Prices, or a little more than one third. Although expenditure on regional incentives will continue to be substantial, I must emphasise that regional differences will not be reduced simply by redistributing money from taxpayers: we must also have local enterprise and plenty of cooperation in making businesses competitive and profitable. Nothing will do more for the prosperity of a region than a reputation for effective work, high productivity and cooperation between workforce and management.

9 Finally, I wish to announce our decisions on national selective assistance under Section 8 of the 1972 Industry Act - which can of course be paid to enterprises in the AAs as well as in the non-AAs.

10 After careful consideration the Secretary of State for Energy, the Minister for Agriculture, Food and Fisheries and I have decided to allow the Energy Conservation Scheme and the two remaining sectoral schemes, for Footwear and Redmeat Slaughterhouses, to run their course. All applications under these Schemes and any outstanding applications under the other sectoral schemes that have already closed will be processed under existing criteria.



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11 The Selective Investment Scheme, for major investment projects, closed for applications on 30 June. All outstanding applications which have not yet been approved will be processed against the existing criteria but we shall interpret these criteria somewhat more stringently than in the past, so that marginal projects will in future not be assisted.

12 For the future, the Government will continue to provide assistance under Section 8, but more selectively than hitherto. We shall continue to offer assistance to enable internationally mobile projects to locate in the UK: this is an area where other governments are also very active. We intend also to support projects leading to very substantial improvements in performance, particularly in productivity, or projects which will result in the introduction of new products. In addition, every project will have demonstrated that it will result in a substantial net contribution to UK output or will introduce a significant degree of innovation to the United Kingdom.

13 I am laying before the House the four Orders required to introduce these changes, one dealing with RDG, one with AA boundaries and gradings and two with IDCs. The RDG Order requires an Affirmative Resolution and []

16 July '79.



16 JUL 1979

16 B
c Cabinet
Transport +
Vile
LPO

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10 DOWNING STREET

From the Private Secretary

16 July 1979

Regional Policy: Pilot Areas

The Prime Minister has considered the Chancellor of the Exchequer's minute of 13 July, and agrees that there should be no advance statement of our intentions on "pilot areas" in Sir Keith Joseph's forthcoming statement on regional policy. She accepts that these must be properly worked out before they are referred to in any statement.

I am sending copies of this letter to the Private Secretaries to members of the Cabinet and to Martin Vile (Cabinet Office).

TPL

Martin Hall, Esq.,
H.M. Treasury.

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4

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DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

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SWITCHBOARD 01-212 7676

PS/ Secretary of State for Industry

The House will be very angry with a written answer. One must go back to the House. Make an announcement and state it. M.S. remember? And put in the answer of this one.

13 July 1979

Tim Lankester Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

Prime Minister,

Content with 'x'?

Dear Tim

*R Carter
Duty Clerk
13.7*

REGIONAL INDUSTRIAL POLICY

I promised to let you know about the Secretary of State's proposed timetable for making an announcement on regional industrial policy. I understand that at yesterday's Cabinet it was agreed that the timing of the announcement should be discussed between my Secretary of State, the Secretary of State for Scotland, the Chancellor of the Duchy of Lancaster and the Chief Whip. Subsequently the Secretary of State for Scotland telephoned my Secretary of State and said that he would be content for an early announcement to be made, provided this could be done on Monday 16 July, to avoid any discourtesy to the Scottish Grand Committee. My Secretary of State agreed to investigate the possibility of this ^{and} after consultation with the Welsh Office and the Offices of the Chancellor of the Duchy of Lancaster and the Chief Whip, it was agreed that an announcement could be made at 3.15 pm on Monday 16 July.

I have subsequently spoken to Mr Faulkner in the Cabinet Office and he has agreed that, since the small group of Ministers to consider the business of the last week before the recess is to meet at 1.30 on Monday 16 July, he sees no objection to this timetable.

My Secretary of State will be working on his written answer on regional industrial policy over the weekend and I will endeavour to let you have a copy of the final text as soon as possible on Monday morning. My Secretary of State is also making an announcement on the future of assistance under Section 8 of the Industry Act 1972 on the same day and I attach a copy of the text of the Question and proposed Answer.


I should perhaps add that arrangements have been made for my Secretary of State to hold a press conference at 3.15 pm on Monday 16 July and Mr John Lee, Nelson and Colne, has put down the necessary question which will appear on Monday's Order Paper.

I am copying this letter to the Private Secretaries to the Chancellor, the Secretaries of State for Employment, the Environment, Scotland, Wales and Northern Ireland, the Chancellor of the Duchy of Lancaster, the Secretary of State for Energy, the Minister of Agriculture, Fisheries and Food, the Chief Secretary, the Paymaster General and the Chief Whips in both Houses.

*Yours sincerely,
Peter Stredder*

CONFIDENTIAL

PETER STREDDER
Private Secretary



CONFIDENTIAL

To ask the Secretary of State for Industry what decisions he has reached about assistance under Section 8 of the Industry Act 1972.

ANSWER

The Government have reviewed the operation of the various Schemes of Assistance under Section 8.

The Selective Investment Scheme closed for applications on 30 June. We will process all the applications received up to that date, but the criteria will be applied more stringently.

We will continue to use the powers of Section 8 to ensure that particularly worthwhile projects, especially internationally mobile projects or those producing very substantial improvements in performance or introducing new products, go ahead in the UK. It will have to be demonstrated that projects receiving support will produce a substantial net contribution to UK output or introduce a significant innovation.

The Energy Conservation, Footwear, and Redmeat Slaughterhouse Schemes, will remain open for applications until the closing dates already announced. All applications received under these, and the other Section 8 Schemes that have already closed, will be considered under the existing criteria and financial provision for each Scheme.

113 JUL 1979

11 12 1 2 3
4 5 6 7 8 9

113 JUL 1979

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Prime Minister,

Agree to 'x' and 'y'?

(Tim Lankester has not yet seen this paper.)

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

R Carter
Duty Clerk

Agree that we must have pilot proposals worked out before any statement is made.

PRIME MINISTER

REGIONAL POLICY : PILOT AREAS

The Cabinet met on 5th July and I was invited to consider urgently, in consultation with the Secretaries of State for Industry and for the Environment, whether it would be possible to say anything about the proposed "pilot areas" when the announcement on regional industrial policy was made. I understand that this is now planned for early next week. I met this evening with Keith Joseph and Michael Heseltine to consider the work officials have done on the possibilities (with which I need not trouble you at this stage).

This is already covered X
mt.

2. We are all agreed that there should be an early statement on regional policy. I regard the fiscal arguments for this as overwhelming.

3. We also agreed that it is imperative to make rapid progress on three fronts in parallel; - the generalised measures aimed at stimulating enterprise and deregulating ① the business environment, which we are trying to identify in the "Hoskyns" exercise; second, to identify incentives ② to enterprise which can be introduced in "pilot areas"; and thirdly to define more clearly in concrete terms our ideas for enterprise zones. All this work is now being set in hand, and Keith Joseph, Michael Heseltine and I will meet again next week to draw up a full programme of work to a tight timetable.

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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

14' | 4. Keith Joseph and I however, feel that we cannot recommend to you that there should be an advance statement of our intentions on "pilot areas" in the forthcoming statement on regional policy (though Michael Heseltine still believes that we should make a firm commitment then to bring forward measures in the autumn). None of the ideas officials have so far examined on the fiscal side are sufficiently well developed that we can be confident of being able to put them forward as firm proposals. And the measures most likely to benefit the regions will not in fact have a "regional" label at all, but will be the proposals we shall announce on a national basis as the conclusion of the "Hoskyns" exercise. To trail "pilot areas" in the context of an announcement on regional policy would run a serious risk of disappointing expectations, since, however irrational, the hope would be for compensating measures specifically aimed at the regions on a much bigger scale than we have in mind. Our preference therefore is to wait until we have some proposals in the autumn, and then to achieve maximum impact with a full statement setting out clearly what we intend to do.

Flag A | 5. Finally, I should add that I very much agree with Keith Joseph (his letter to me of 12th July) that we should not court the risk of a possible hostile reaction from the European Commission to our new policies towards the regions through a premature statement about "pilot areas". Personally, I am sure that, once we have clear proposals to make, we shall be able to present them in a way which will satisfy the Commission, which should on balance be favourably inclined to ^{our} regional policies.

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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

I am copying this letter to other members of the
Cabinet and to Sir John Hunt.

A handwritten signature in black ink, appearing to be "G.H." with a stylized flourish.

(G.H.)

13 July, 1979

13 JUL 1979

1 2 3 4 5 6 7 8 9



Secretary of State for Industry

REGIONAL A POLICY
DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

12 July 1979

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1

RH

Dear Sir,

I understand that you are about to write to me with a draft of the report on pilot schemes that the Prime Minister has urgently requested. I very much look forward to receiving this since I share your view that the concept of enterprise zones must be pursued positively. However, I feel I must sound a warning at this stage that a premature public announcement could jeopardise the efforts Tom Trenchard is making to clear with the EEC Commission the major changes in regional policy we are to announce next week. (Indeed he will be in Brussels tomorrow).

As your officials are aware, the Commission are likely to regard any geographically biased scheme of financial assistance or fiscal concession to industry as a state aid notifiable to them under Article 93 of the Treaty of Rome, and requiring their approval.

Any public announcement next week of the intention to introduce such assistance or concession in pilot zones would have to make clear that this was subject to consultation with the EEC Commission, and it would be prudent for the UK representative in Brussels to show the statement to the Commission the day before. Even so, an announcement of new measures without serious prior consultations (which are impossible in the time-scale) could risk their suspecting that we were attempting to bulldoze the measures through them and prejudice our relations with them on the regional package. Nor of course could we count on the Commission finally agreeing to any new measures that we specifically refer to the announcement.

This leads me to the conclusion that an announcement on pilot schemes should be made later after private soundings with the Commission. Officials could explore in parallel possible relaxations in planning and other controls which I regard as being fundamental to the ideas you put forward in your Isle of Dogs speech.

I am sending copies of this letter to the Prime Minister, Peter Carrington, Jim Prior, Michael Heseltine, George Younger, Nicholas Edwards and Humphrey Atkins.

Edward Heath

11 12 1
8 7 6 5 4 3 2 1
11 2 JUL 1979



Regional B1

Government Chief Whip
12 Downing Street, London SW1

CONFIDENTIAL

10 July 1979

Dear Peter,

REGIONAL INDUSTRIAL POLICY: PARLIAMENTARY TIMETABLE

Thank you for your letter of 6 July about the announcement of the Government's decisions on regional industrial policy.

I have consulted the Chief Whip and the Leader of the House about this and their view was that Cabinet had decided that the necessary Order should be laid after the meeting of the Scottish Grand Committee on 17 July and not after the meeting on 19 July.

As you know, we are proposing that the Parliamentary debate should take place on Tuesday 24 July. By laying the Order on 17 July, I think we would avoid possible criticism from the Opposition that there had been insufficient time to consider it.

I am copying this letter to the Private Secretaries to the Prime Minister, the Secretaries of State for Scotland and Wales and the Chancellor of the Duchy of Lancaster.

Yours ever,
Maclean
(M MACLEAN)

P Stredder Esq
Private Secretary to the
Secretary of State for Industry
Ashdown House
123 Victoria Street
SW1E 6RB



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

6 July 1979

D. J.

ENTERPRISE ZONES

I was grateful that you responded so quickly in your letter of 29 June to Michael Heseltine to the requests in my letter of 22 June.

I have always recognised that there are some topics on which it may be particularly difficult to advise acceptable lower standards and to apply them selectively. One obvious example is the handling of dangerous substances, where it would be difficult enough to lower standards generally, and even more difficult to lower them selectively in enterprise zones. But I think that it would be a mistake to conclude at this stage that there is no scope for selective action for example on building or health and safety regulations, employment protection provisions and so on. Of course there are some controls for which general removal is the right answer. There is - there must be - much wider scope, where the general case is less clear-cut, for removing many more restrictions as a pilot scheme in those few strictly defined geographical areas which are proposed for enterprise zone treatment.

The argument about unfair competition may theoretically arise in the EEC context. But I do not see this as an overriding argument against the basic idea. If the pilot areas show that selective action in enterprise zones is beginning to have the desired effect that surely points to extending the concept to other areas.

We must now pull the threads together very quickly, if the idea is to be available in time for places like Shotton and two or three other designated areas, particularly in Scotland and the North-East, as suggested by the Prime Minister.

/I am

The Rt. Hon. James Prior, MP



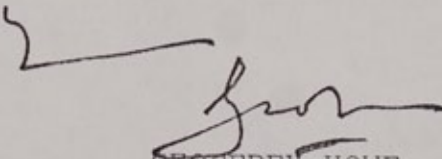
I am having the tax aspects examined separately. Meanwhile I hope you will feel able to give the whole idea a more encouraging look. I should be grateful if Keith Joseph, George Younger and Nicholas Edwards could also let me have their thoughts on selective action at the same time. Perhaps Michael Heseltine could ensure that Tom King's review is also in a position to meet the rather tight timetable which now seems desirable.

It may be helpful to stress two aspects of the concept in my Isle of Dogs speech. The first is that I see enterprise zone status as geographically highly selective. If say Merseyside or London Dockland were eventually chosen for such status I would see the zones as small islands of largely derelict land. The same approach would be valid for any inner city in Scotland or the North East. My approach would be to pick out the most derelict areas. At present they tend to be 'no go areas' for productive activity. I should like to see them become 'no go areas' for unnecessary obstacles to productive activity.

Tom King's review will no doubt concentrate on the scope for compulsory sale of publicly owned land to the highest private bidder and for cutting planning controls to the absolute minimum. I hope that his review will also consider the scope for lightening or even removing the rating burden on enterprise in enterprise zones. (I had not myself been envisaging relief from for example income tax or corporation tax. But taxation on property strikes me as a different matter, because it is by definition tied to a particular geographical area.)

I should be very grateful for early comment, so that we shall be able to judge how far pilot schemes on these lines will help the presentation of our general case.

I am sending a copy of this letter to the Prime Minister as well as to Willie Whitelaw, Keith Joseph, Michael Heseltine, George Younger and Nicholas Edwards.


GEOFFREY HOWE

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-6 JUL 1979

520

- 1. MR CANNISTER to see
 - 2. NRP at this stage
- MJS

Regional Policy



CONFIDENTIAL

DEPARTMENT OF INDUSTRY
 ASHDOWN HOUSE
 123 VICTORIA STREET
 LONDON SW1E 6RB
 TELEPHONE DIRECT LINE 01-212 3301
 SWITCHBOARD 01-212 7676

Secretary of State for Industry

Murdo MacLean Esq
 Private Secretary to the
 Chief Whip
 12 Downing Street
 London SW1

6 July 1979

Dear Murdo,

REGIONAL INDUSTRIAL POLICY : PARLIAMENTARY TIMETABLE

At Cabinet yesterday it was agreed that my Secretary of State should announce the Government's decisions on regional industrial policy in the week of 16 July, and the necessary Order should be introduced and debated thereafter. I understand that the Welsh and Scottish Secretaries of State also requested that the announcement should not be made until the Welsh and Scottish Grand Committees have met. I understand that the Welsh Grand Committee meets to discuss the economy on 11 July and water on 18 July and that the Scottish Grand Committee will be discussing industry and employment on 17 July and local government finance on 19 July. The Secretary of State for Scotland has therefore asked that the announcement on regional industrial policy should be made after 6.00pm on 19 July.

These considerations point to a full day's debate on regional industrial policy in the week beginning 23 July. Accordingly, the business statement of 19 July, which is made at 3.30pm, will have to refer to that debate. In order to give maximum notice of the subject matter of the debate and to meet the Secretary of State for Scotland's request it would seem necessary for my Secretary of State to make his announcement, by ordinary written Parliamentary Question, on Thursday 19 July after 6.00pm. He would lay the Orders at the same time.

My Secretary of State is, however, a little concerned that the Opposition might regard this timetable as giving them inadequate notice. Further, now that a decision has been made and that the proposals are to be discussed with the Commission next week, there is a danger that the proposals will leak. I would be grateful for your comments on these aspects of the proposed timetable.

I am copying this letter to the Private Secretaries to the Prime Minister, the Secretaries of State for Scotland and Wales and the Chancellor of the Duchy of Lancaster.

Yours sincerely,
 Peter.

PETER STREDDER

- 6 JUL 1979

BR 11 21
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Would it help to show the areas due to go white in a shaded colour denoting "due to lose status but subject to review in 3 years" ?



Sh. Charitable
Trusts

Yes: if we can print in time

Local Authority
Per. Permission

Acc^{ve}

- (1) Regional Policies
- (2) Local Disposal
- (3) Planning Procedures
- (4) Accelerator policies.

CC HO
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Original on Scotland;
June 79; Regional Policy



10 DOWNING STREET

From the Private Secretary

4 July 1979

Dear Kenneth,

The Prime Minister held a meeting at 1230 p.m. today with your Secretary of State and the Home Secretary to discuss the application of the Government's policies in Scotland. They had before them Mr. Younger's minute of 25 June. The following are the main points which came up.

REGIONAL POLICY

Mr. Younger said that any reduction in regional assistance to Scotland would be seen by the Scots as an attack on the Scottish economy. Special assistance for Scotland was justified by its relative backwardness, its distance from the UK markets, and by the need to reduce imbalances in the national economy: it was in the interests of the UK economy as a whole that these imbalances should be reduced since expansion had too often resulted in "overheating" in the South East and the Midlands. While he accepted the need to reduce public expenditure in support of regional policy this should not be done too fast and the amount of reduction should not be too great. Against this background, Mr. Younger said that he was pleased that the Prime Minister had asked Sir Keith Joseph to moderate his regional policy plans; and he hoped a compromise set of proposals would be accepted by Cabinet.

The Prime Minister commented that it was essential for public expenditure to be reduced: the ratio of public expenditure to GDP was actually increasing this year as compared with last. However, she agreed that it would be a mistake to move too fast on regional assistance; otherwise a "U-turn" would all too likely follow. The Home Secretary agreed that, although regional support must be reduced, it would be wrong to move too fast. To do so would lose the Government political support in both Scotland and Wales.

SHIPBUILDING

Mr. Younger said that contraction of the shipbuilding industry was inevitable, but this had to be handled carefully. Provided the necessary closures were implemented in turn rather than all at once, the position ought to be manageable. Thus, it would be right to move to the closure of Scotstoun in September, while Govan should be kept going a little longer. In order to maintain activity at Govan, it would be necessary to obtain a further order

/ after the

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after the existing Polish order; there was a reasonable prospect of such an order from P&O. Robb Caledon would also probably have to go; but in view of the heavy dependence on shipbuilding on the Lower Clyde, every effort must be made to maintain Scott Lithgow. It would be easier to proceed with these closures if the Government continued with a reasonable measure of general support in Scotland.

The Prime Minister said that she accepted this general approach. She hoped that efforts were being made to stimulate small businesses in Scotland so as to provide alternative employment for redundant shipyard workers. The Home Secretary commented that it was right to proceed with the closure of uneconomical shipyards, and that it had been a great mistake not to have implemented the closures on the Upper Clyde in 1971. However, he agreed that the timing of the closures was crucial.

DISPERSAL

Mr. Younger said that he hoped that the Government would be able to proceed with the previous Government's dispersal plans for the MOD and ODA to Glasgow. He accepted that it would be right to cancel the movement of jobs from the English regions to Scotland; but there would be a very adverse reaction if the dispersal of jobs from London were set aside.

The Prime Minister questioned whether any of the previous Government's dispersal plans were logical from the point of view of administration and expense. However, she agreed that political considerations would need to be taken into account with regard to the MOD and ODA dispersal proposals mentioned by Mr. Younger.

HILL SHEEP

Mr. Younger said that Treasury Ministers had decided that there should be no increase in the Hill Sheep subsidy over and above the 50p agreed by the previous administration. He had hoped that a further 50p increase could have been agreed; and he was prepared to find savings in his programmes to finance it. However, MAFF had not been able to provide offsetting savings. Although he understood the public expenditure reasons for rejecting a further increase, the decision would be strongly resented by Scottish farmers, and Lord Mansfield would have a difficult time explaining it to the NFU when he met them. Questioned whether it would not have been possible to have a higher subsidy for Scotland than in England, the Home Secretary said that any such move would have been bitterly opposed in England.

I am sending a copy of this letter to John Chilcot (Home Office) and Martin Vile (Cabinet Office).

Wm. W.
Tim Latham.



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3301

PS/ Secretary of State for Industry

Tony Battishill Esq
Private Secretary to the
Chancellor of the Exchequer
HM Treasury
Parliament Street
SW 1

4 July 1979

Dear Tony,

REGIONAL INDUSTRIAL POLICY

As requested by the Prime Minister (and recorded in Tim Lankester's letter to me of 3 July) my Secretary of State has prepared some compromise proposals to put forward orally when Cabinet discusses his paper on regional industrial policy tomorrow. These are set out in the attached draft speaking note which is I think self-explanatory.

My Secretary of State would like to know whether the Chancellor would be content to accept a settlement on these lines. As explained in the note, a 12% rate of Regional Development Grant could be accommodated but a 15% rate would result in a shortfall of about £18 million in 1982/83 in the target savings agreed by Ministers in Opposition. Subject to the agreement of his colleagues my Secretary of State would be prepared to review in two years' time both the minimum limits of RDG and the rate in DAs. A further rise in the former could make good the shortfall as could a further reduction in the latter. But a decision would need to be taken in the light of experience over the next two years and the circumstances prevailing at the time.

The question of additional funds for the four Scottish and Welsh Agencies and CoSIRA are not for this Department but since the proposal is to continue their existing activities in rural areas rather than cutting back after some of the areas have been downgraded to non-Assisted Area status the question of additional funds does not appear to arise.

I am copying this letter to Tim Lankester at No 10 but not to the other Departments who received his letter of 3 July.

Yours sincerely,

Andrew Duguid
ANDREW DUGUID
Private Secretary



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PACKAGE OF REGIONAL INDUSTRIAL POLICY MEASURES;
PROPOSED COMPROMISE

I have been thinking in the light of the discussion in E(EA) last week what further modifications could be made to the package of measures put forward by my Minister of State Lord Trenchard, in order to help with the particular concerns expressed by the Secretaries of State for Scotland and Wales. The Secretary of State for Wales has argued very strongly against halving the rate of Regional Development Grant (RDG) payable in the Development Areas (DAs) after the 12 months period of notice on the grounds that this will have a very adverse effect on investment in these areas which still suffer from considerable unemployment, and limit their potential for attracting inward investment, as well as being inconsistent with our Manifesto commitment to avoid sudden sharp changes in regional assistance.

2 We had originally proposed reducing RDGs from 20% to 10% in DAs, as well as abolishing RDGs in Intermediate Areas (IAs), whilst maintaining RDGs at their present level of 22% in Special Development Areas (SDAs), because this was the best way of securing the target savings agreed in Opposition, and at the same time ensuring that in future regional aid would be concentrated on the areas of greatest need, ^{namely} the Special Development Areas and particularly on the three parts of Britain which are worst hit, ie the West Central Scotland SDA (with over 86,000 unemployed in May 1979), the North East SDA (with over 74,000 unemployed) and the Merseyside SDA (with 83,000 unemployed). [By comparison the South Wales SDA had 20,000 unemployed in May 1979.]

3 We have however further revised our future forecasts of expenditure on RDG in the light of the latest information on the reduction of investment intentions - not in itself a

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very acceptable reason for reducing expenditure on RDG but it does have the incidental effect of making the target cuts easier to achieve. We could on these latest estimates cut the rate of RDG in the DAs as defined in Map 2 from 20% to 12% after the twelve months' notice - thus providing a differential of 10 points with the rate applicable in SDAs - and still achieve the target savings for 1982/83 from the regional package.

4 If we were to limit the cut in rate to 15% we would fall short of the target savings by some £18 million. This shortfall could be made good if we raised the minimum threshold for RDG not to £500 for plant and machinery and £5,000 for buildings as proposed by Lord Trenchard but to £1,000 and £10,000 respectively. I could not however accept these higher thresholds for immediate implementation because of their possible implications for small firms. I would however be willing to review the position in two years' time in the light of our experience in raising the thresholds to £500 and £5,000. If we were then prepared to raise them further we could still get the necessary further savings by 1982/83 but I cannot commit myself to this in advance. If we agreed on a 15% ~~or~~ RDG for DAs I would also be prepared to review that in two years' time, and if we then decided in the light of experience that it could be further cut to 10% that would produce more substantial savings but after a longer transitional period (assuming we still gave 12 months' notice of the change).

5 I have also had a further look at the proposed boundaries for the Assisted Areas in Map 2 attached to C(79)23, in the light of the concerns of the Secretaries of State for Scotland and Wales. Here there is much less room for manoeuvre, for although the additional expenditure involved in a specific proposal may be very little, we have to have



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regard for the repercussions in other parts of the country. We must be able to defend our redrawing of the map of the Assisted Areas on objective and defensible criteria, and ~~to observe~~ reasonable consistency in the criteria observed throughout England, Scotland and Wales. However the map is drawn we shall be criticised by those who are on the wrong side of boundaries and we must therefore be able to present the critics with a satisfactory rationale based on objective factors consistently applied.

6 My officials have emphasised to me that they have already stretched these criteria pretty well as far as they can go in trying to meet particular concerns of the Scots and the Welsh. Map 2 is already based on a compromise, and as a further compromise we have suggested more gradual transitional arrangements, with downgradings of more than one step, and downgradings of IAs to non-AAs, being phased over three years. To refuse to downgrade by more than one step, as requested by the Secretary of State for Scotland, would ~~completely~~ undermine the objective basis on which the map has been redrawn. These are the areas which have - relatively speaking - been particularly fortunate in that they have been enjoying a much higher status in the AA map we inherited from our predecessors than could ~~possibly~~ now be justified on the basis of the underlying facts; to maintain them on a higher status than can objectively be justified could not be defended to other parts of the country which are not being so favoured although their unemployment situation may be worse.

7 I accept that in practice we shall need to review the position of these and other areas before the three years is up (although we should not say this publicly since it is necessary to ensure that industry has confidence in the general stability of the framework of investment incentives including the AA boundaries which determine the rates of



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RDG payable). But in practice we also have to recognise that, whatever progress we make with the economy as a whole, all the pressures on us over the next five years will be to add to, or upgrade, the AAs (as indeed happened over the life of the last Parliament) and that makes it all the more necessary to be fairly rigorous in redrawing the boundaries now.

8 I have looked again at the position of the Rhondda Valley, in the light of the emotional significance of this area for the Welsh. Here I think I can do something to help the Secretary of State. I cannot accept that the whole of the Pontypridd Travel-To-Work-Area (TTWA), which includes the Rhondda Valley, should remain as an SDA because we would then have to concede SDA status to Teesside (which has higher unemployment and difficult prospects) and probably a number of other areas, eg in Cornwall. I would however be prepared - exceptionally - to split the Pontypridd TTWA and retain the Rhondda Valley part of it (that is the Employment Office Areas of Treorchy, Ferndale, Tonypandy) as an SDA. The rest of Pontypridd should on merit be graded as a non-AA given its low level of unemployment, but I would be willing to see it as an IA. [If pressed hard on this, we could probably live with the rest of Pontypridd being classed as a DA, ie the same as the surrounding areas, but it would have to be accepted by colleagues that this should not be regarded as a precedent for other areas.]

9 I could not however accept the Aberdare TTWA remaining as an SDA since this would also have repercussions for Teesside and other areas with higher unemployment. The same applies to Merthyr Tydfil, where the repercussions would be even greater.

10 [If it will help the Secretary of State for Scotland



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to reach a settlement on the basis of Map 2, I could offer to retain the TIWAs of Forres and Nairn as IAs. This would mean that much of the constituency of Murray and Nairn, which the Conservatives recently won from the Scottish Nationalists, would remain an AA.]

11 As for the rural areas of Wales which will become non-AAs after three years on the basis of Map 2, I can see no way of preserving these as AAs which would not have extensive repercussions in England as well as Scotland (including various rural parts of England which have never been AAs but which suffer high unemployment, eg Hunstanton in North Norfolk with an average of 10.7% unemployment in 1978, Axminster, Bridport and Weston-Super-Mare in the West Country with around 9% unemployment).

12 I think however that it will help the position of these rural areas if we can make it clear in the statement on regional industrial policy that these will continue to benefit from the building of advance factories for small businesses, as well as concessionary loans for small businesses even after the areas have become non-AAs in three years' time. The Welsh Development Agency and Rural Board for Mid Wales will continue with these functions in those rural areas which are to be downgraded in three years' time, as will the Scottish Development Agency and the Highlands and Islands Development Board in rural parts of Scotland. In England CoSIRA is already providing small advance factory units and concessionary loans for small business in rural areas outside the AAs. It will be necessary to ensure that the criteria being observed by these agencies are reasonably consistent, but there is plenty of time to work out the details, and meantime the question of additional funds does not really arise.



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14 I hope that we shall be able to reach agreement on this basis in order to be able to make an early statement. I am very concerned about the increasing uncertainty in industry about the future level of investment incentives, particularly for potential new investors overseas. If we delay announcing our intentions on RDGs and AA boundaries until November, there could be a very serious effect on investment intentions and the Chancellor would also lose £30 million of savings deferred.

15 I would hope to include an announcement on the future handling of cases under Section 8 of the Industry Act 1972, including the Selective Investment Scheme, in the statement on the regional package.

4 July 1979

13 Finally I should say that the Prime Minister would like the exemption limit for Industrial Development Certificates raised to 50,000 sq ft rather than 30,000 sq ft as proposed by Lord Trenchard. I see no difficulty in accepting this proposal, and personally I welcome.

4

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4 JUL 1979

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Ref. A09906

PRIME MINISTER

Regional Industrial Policy

(C(79) 23)

BACKGROUND

The background is familiar: you have discussed this paper with the Secretary of State for Industry; and you have had separate talks with the Secretary of State for Scotland and the Home Secretary about the political implications. The paper poses a series of questions, which follow from the hard proposals set out in the Annex. It is unfortunate that E(EA) failed to reach any kind of consensus but perhaps inevitable given the strength of feeling among regional Ministers and the high political content of the proposals. You have of course now suggested a compromise which will emerge during the meeting (recorded in Mr. Lankester's letter of 3rd July). There is one other related point, which emerged from the meeting of E(EA): the Secretary of State for the Environment is very anxious about his "accelerator" proposals (set out in his letter to the Secretary of State for Industry of 27th June) and feels that the Industry paper does not do justice to them. However, you should know that Sir Keith Joseph expressly decided not to give Mr. Heseltine's ideas prominence in his paper. It is also relevant that Mr. Heseltine's suggestions are difficult to interpret, and appear to pose a number of very difficult problems for Treasury and other Ministers as well as requiring perhaps complex legislation. It would be almost impossible to get this complicated proposal right in time for announcement before the Summer Recess. (In this it differs from the much simpler suggestion you yourself made though even here we will not know the full implication until the Chancellor of the Exchequer reports back next week.) In case Mr. Heseltine returns to the charge, I have annexed to this brief a note, prepared by the Inland Revenue, and copied to all the Ministers directly concerned including Mr. Heseltine.

White areas →

White areas →
Down Arrow
Right Arrow

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Reg. Sub. Unit

Desk
Plan
Book

22
20

HANDLING

2. You will want to call on the Secretary of State for Industry to introduce his proposal, to report the discussion in E(EA) and to outline the modified proposals he has been discussing with the Chancellor of the Exchequer. If the Secretary of State for Industry does not do so you might also inform the Cabinet of the urgent work you have set in hand on your "pilot" proposal. You might then seek comments in turn from the Chief Secretary; the Secretary of State for Scotland, the Secretary of State for Wales; the Secretary of State for Employment; and the Secretary of State for the Environment. In doing so, you might invite them to focus on the questions posed in the paper, taking account of the modifications suggested by the Secretary of State for Industry orally. You might then ask the Secretary of State for Industry to reply. Thereafter it would be advisable to run through the questions posed in paragraph 4 of the Secretary of State for Industry's paper so that specific decisions can be recorded on each of them. You will particularly want a clear view from the Cabinet on the timing of any announcement (question 4i.). Delay costs money and increases uncertainty but might be worth it if e.g. it enabled your pilot scheme to be worked up (and cleared with the EEC Commission who may well raise objections).

3. Assuming that the Secretary of State for Industry's proposals are modified he will probably want to suggest alternative offsetting savings, and you might check that the Chief Secretary is content with these. You might then seek general confirmation that the total package is acceptable to the Cabinet.

CONCLUSIONS

4. In addition to decisions on the specific questions posed in C(79) 23 as modified in discussion you may also wish to record two further conclusions:-

- (a) An invitation to the Secretary of State for Industry to circulate the text of the draft announcement about regional policy, including a section on selective assistance to Cabinet colleagues well in advance of the date of announcement.
- (b) An invitation to the Chancellor of the Exchequer, in consultation with the Secretary of State for the Environment, to report back to you by the end of next week on the feasibility and cost of a "pilot" scheme so that you can consider how best it might be further pressed with a view to an announcement, if that is the Cabinet's decision, before the Recess.

TEMPORARY SCHEME TO ENCOURAGE ADDITIONAL INVESTMENT

Some main points to be defined, before Ministers are asked to consider policy decisions on the advantages of the scheme

Entitlement

1. The main options might be:
 - a. Any business that undertakes additional investment and has positive tax liability on its profits.
 - b. Any business that undertakes additional investment and has commercial profits - regardless of tax position.
 - c. Any business that undertakes additional investment, regardless of profit position.
2. Option a. above has possible tax implications; options b. and c. have possible public expenditure implications.

Scale of Government support

3. Options include:
 - a. simple percentage.
 - b. Preference for small firms (how does one define "small"?)
 - c. Progressive scale favouring big percentage increases.
 - d. Provisions to ensure that scheme applies to increases only in volume of investment.

Interface with existing Government support

4.
 - a. Should relief be additional to, or in substitution for existing tax relief - which may be up to 100% for investment in plant, machinery and stocks?
 - b. Similarly for regional grants etc?
 - c. Should there be upper limit on total Exchequer contribution? At the extreme should it, together with existing investment incentives, add up to more than 100% of the cost of the investment to the businessman?

What kind of investment

5. Options include:
 - a. machinery and plant
 - b. cars
 - c. industrial buildings
 - d. commercial buildings
 - e. stock
 - g. financial assets.

"Additional" investment

6. Questions of timing include:
- a. period of comparison - a full year? If so - business period of accounts, fiscal year etc?
 - b. more than a full year - to even out random year to year fluctuations (particularly important for small businesses)?
 - c. less than a full year - the scheme would end in April 1980; would it apply to investment incurred before announcement?

7. Other technical questions include:
- a. treatment of new businesses.
 - b. treatment of takeover, reconstruction, amalgamation of existing businesses.
 - c. groups of companies (at extreme, some groups set up a new company for each new operation)

Timing of payment

8. Main options include:
- a. Dependent on commercial/taxable profits (up to two years or so after end of accounting period).
 - b. Dependent simply on expenditure - as soon as vouchers can be submitted, and administrative procedures completed.

£150m limit on total expenditure

9. Options include:
- a. First come, first served - not possible under decentralised tax system.
 - b. Share out a fixed pool pro rata amongst all claims - the larger the total amount of claims, the smaller the payment on each claim - on the face of it, uncertain and complicated.

Limits on total amount of any claim

- a. interface between personal businesses, partnerships and small companies
- b. groups of companies.

Regional variation

Questions include:

- a. choice of regions
- b. choice of assets - having a fixed physical location (eg building) or not (eg stocks)
- c. EEC aspects.

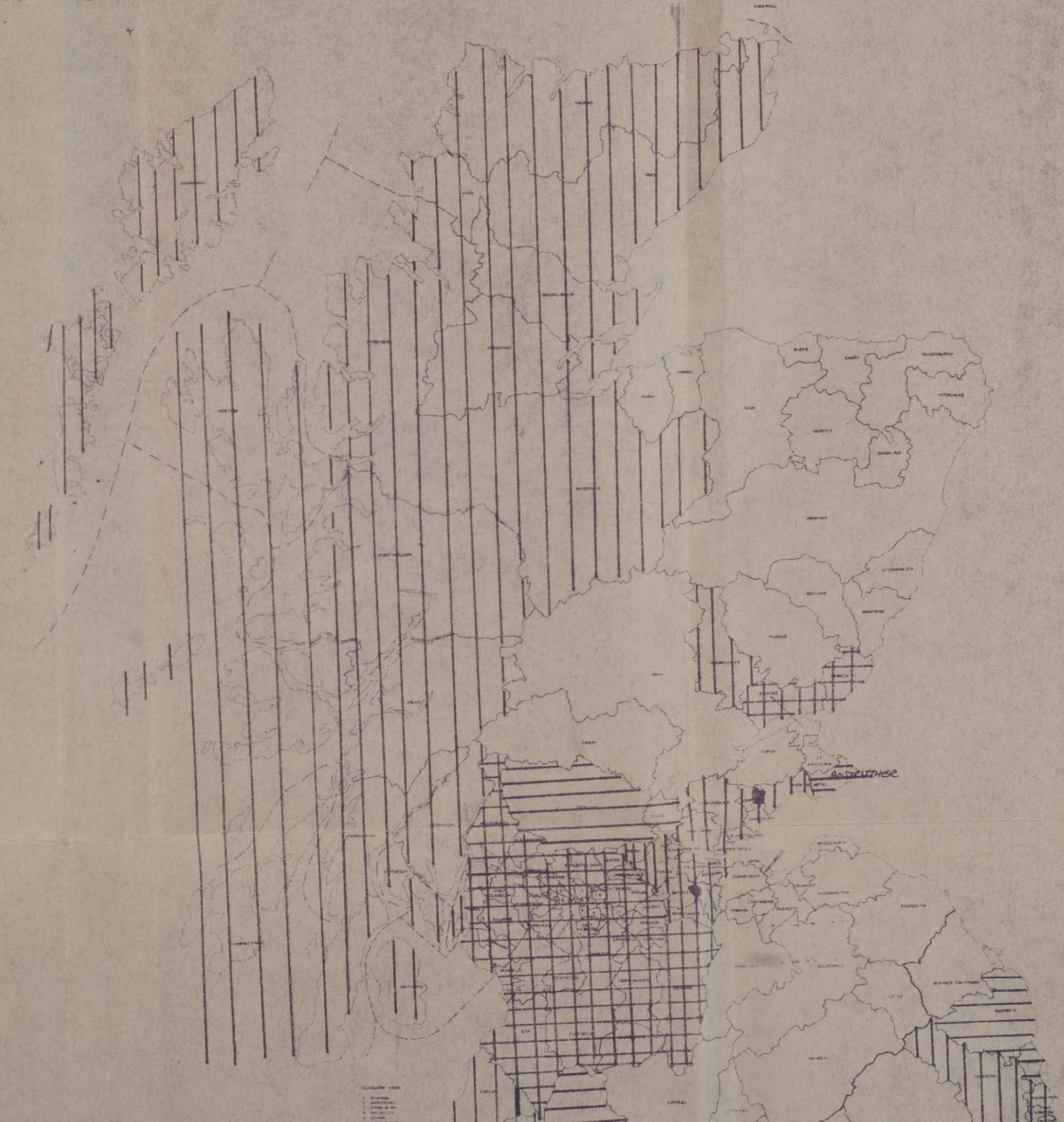
Legislation

- a. Finance Bill? Other?
- b. Timing?

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MAP 2

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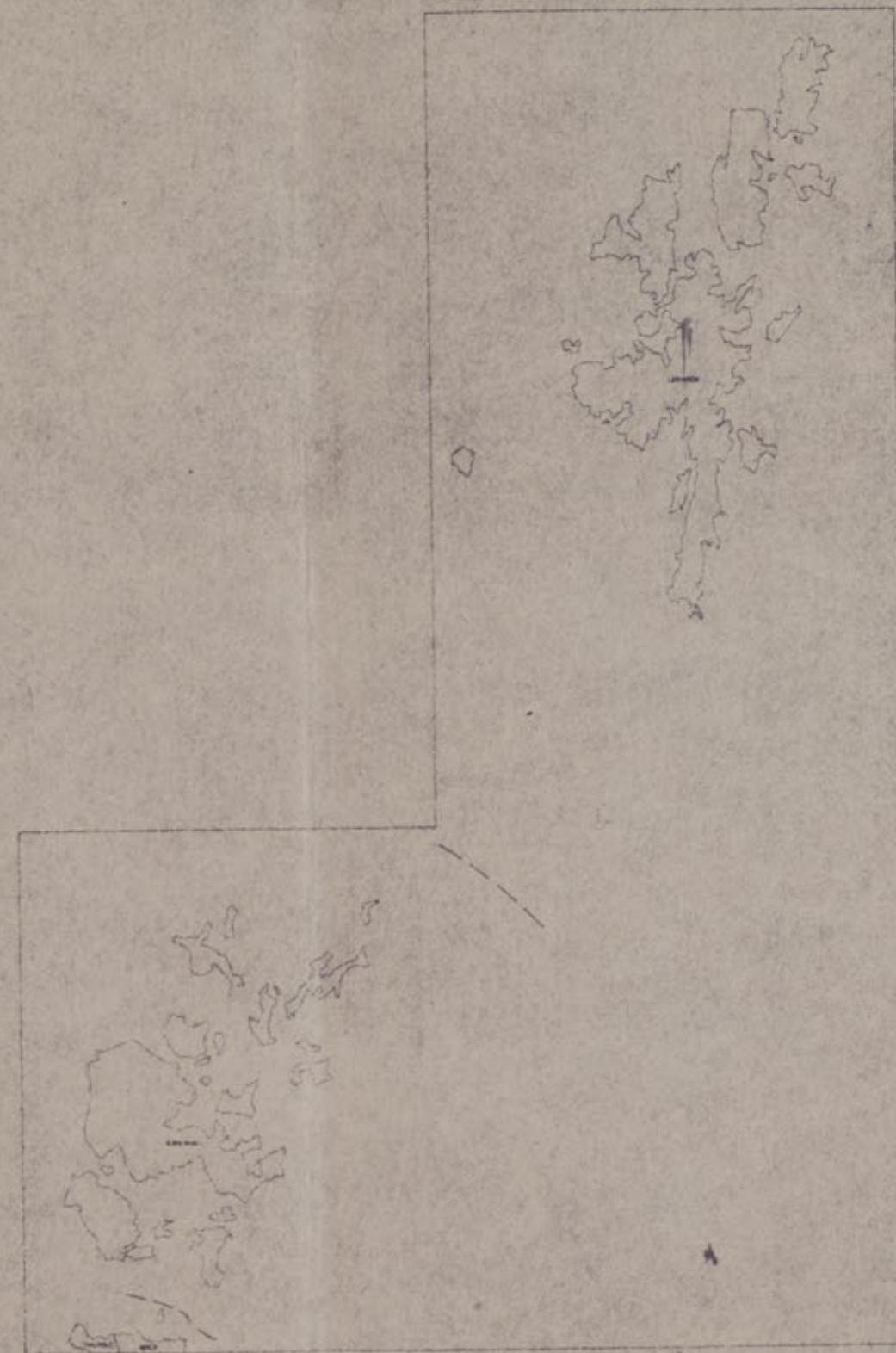
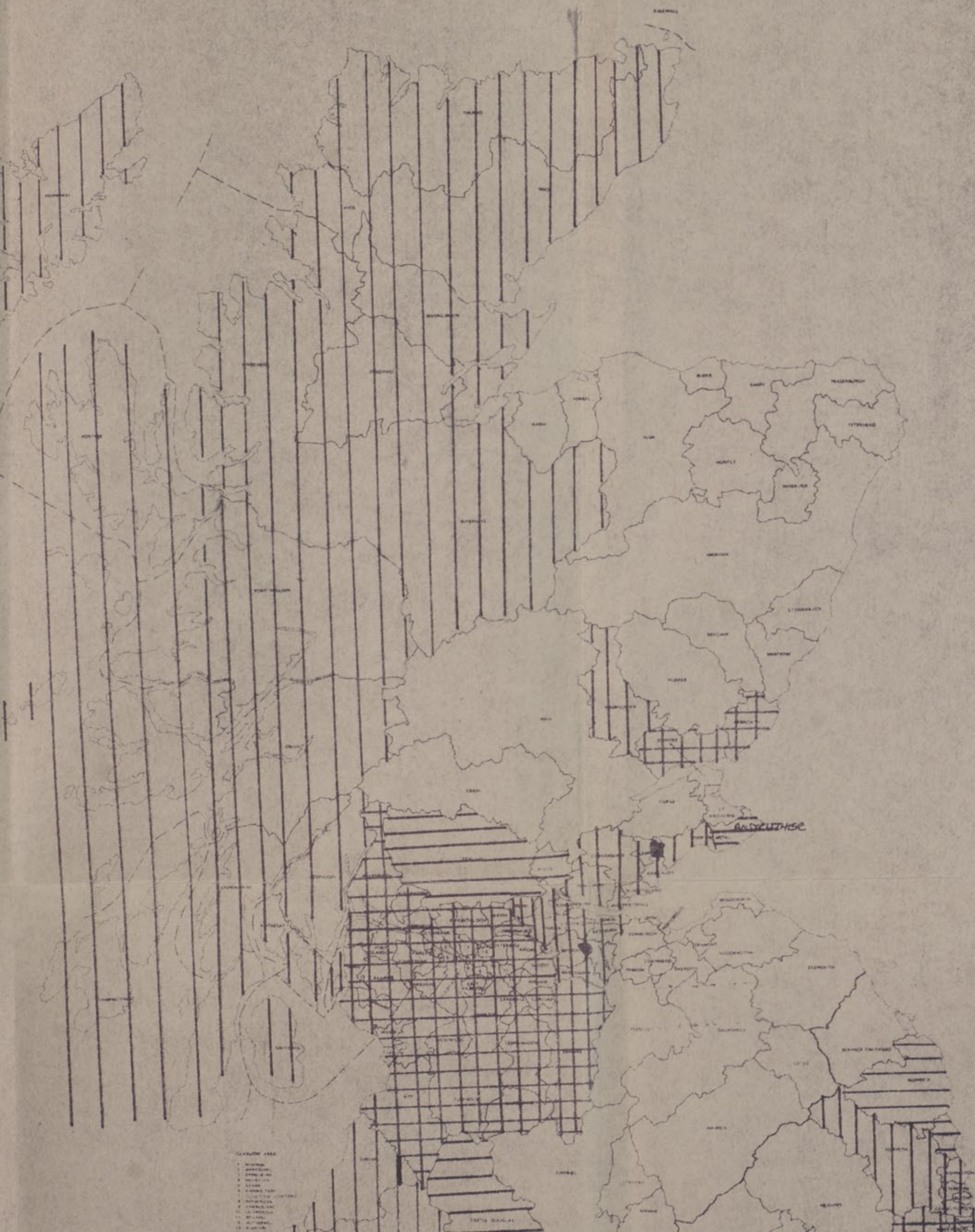
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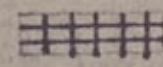
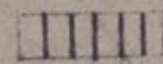
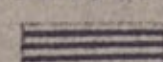
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MAP 2



ASSISTED AREAS
as defined by
THE DEPARTMENT OF INDUSTRY

~~AT 1447~~

Compiled by the Department of the Environment

- SPECIAL DEVELOPMENT AREAS 
- DEVELOPMENT AREAS 
- INTERMEDIATE AREAS 

LEGEND
1. SPECIAL DEVELOPMENT AREAS
2. DEVELOPMENT AREAS
3. INTERMEDIATE AREAS
4. UNASSISTED AREAS



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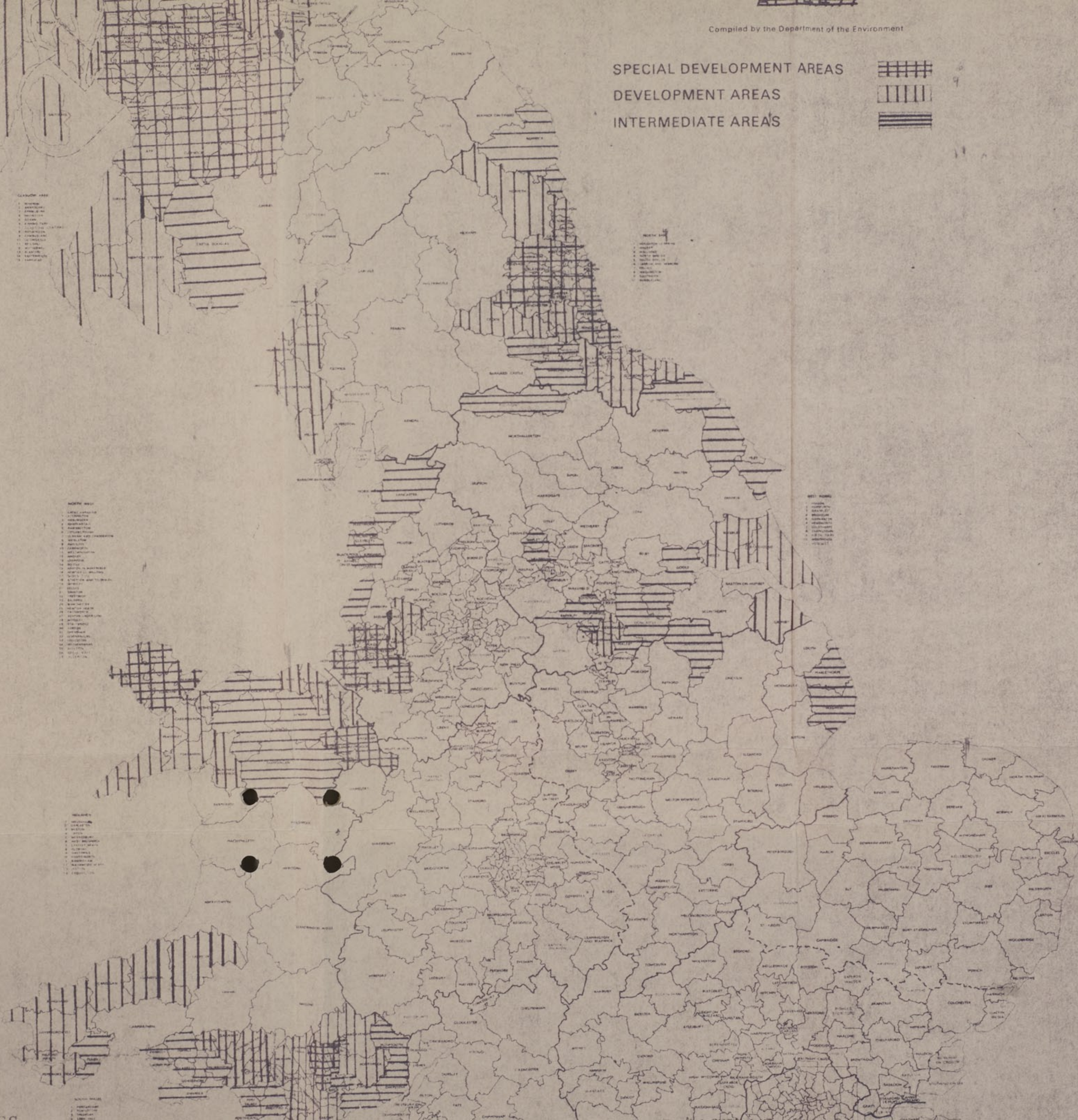
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SPECIAL DEVELOPMENT AREAS
DEVELOPMENT AREAS
INTERMEDIATE AREAS



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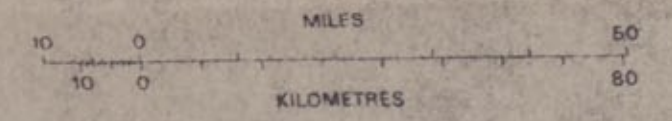
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EMPLOYMENT SERVICES AGENCY LOCAL OFFICE AREAS

Compiled by the Department of the Environment from information supplied by
the Department of Lands and Surveys.

DEPARTMENT OF EMPLOYMENT REGIONS
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Copied to Scotland: June 29
Regional Policy



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10 DOWNING STREET

From the Private Secretary

3 July 1979

B/F 4/7/79
for Cabs on 5/7
BF 13/7/79

Dear Peter,

Regional Policy

The Prime Minister discussed with your Secretary of State this morning his proposals on regional policy. They had before them the draft paper for Cabinet circulated under cover of your letter of 30 June.

The Prime Minister said that she was content for the paper to be circulated. However, she thought that Sir Keith's proposals were somewhat too harsh. She had been impressed by the arguments put forward by the Secretary of State for Wales in his paper - E(EA)(79)14. She was determined to avoid the necessity of a "U-turn" at a later stage; moreover, in view of the recent oil price increases, the economic case for moving rather more slowly was strengthened. The Prime Minister also said that she would like to see the exemption limit for Industrial Development Certificates in the non-assisted areas raised to 50,000 square feet: IDCs had rarely been refused in any case, and increasing the limit to 50,000 square feet would help to reduce the bureaucracy. Sir Keith Joseph commented that he would like to see IDCs abolished altogether; the only case for retaining them was one of presentation. The Prime Minister asked Sir Keith to consider urgently, in consultation with the Chancellor of the Exchequer, compromise proposals which should include the following elements:

- I The RDG in development areas should be set somewhere between 10 and 15 per cent;
- II The Rhondda Valley should continue its special development area status;
- III In order to meet the likely reaction in Wales and Scotland to the downgrading of their rural areas, additional funds should be made available to the Scottish Development Agency and the Welsh Development Agency; alternatively, consideration should be given to altering the map so as to get rid of some of the downgrading.

Sir Keith explained that proposals on these lines would inevitably reduce the savings which he was hoping to contribute to the public expenditure review. Redrawing the map in Scotland and Wales would

/also

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also cause difficulty for the "new map" for England. However, he would, as the Prime Minister requested, have urgent discussions with the Chancellor with a view to reporting to Cabinet on Thursday.

The Prime Minister went on to say that, in order to help with the presentation of the package, it would be highly desirable to be able to announce some new initiative in the regions. She had in mind, in particular, a pilot scheme for say three designated areas in Scotland, the North-East and the Shotton area which would provide companies with a five year tax holiday and the assurance that decisions on planning permissions would be given within three months. Sir Keith commented that the tax holiday proposal would raise great difficulties in terms of likely tax avoidance and other distortions. The Prime Minister agreed that this would have to be taken into account; nevertheless, she asked that the Treasury in consultation with the Department of the Environment and the other Departments concerned should consider this idea and report back by the end of next week. If this approach appeared attractive and the difficulties which Sir Keith had mentioned could be surmounted, it could be included as part of the regional policy package to be announced later in the month.

I am sending copies of this letter to Tony Battishill (HM Treasury), David Edmonds (Department of the Environment), Kenneth MacKenzie (Scottish Office), George Craig (Welsh Office), and Martin Vile (Cabinet Office).

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T. Laksh.

Peter Stredder, Esq.,
Department of Industry.

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DEPARTMENT OF INDUSTRY
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123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

P Le Cheminant
Cabinet Office
70 Whitehall
London SW1A 2AS

2 July 1979

Dear Peter,

*R
3/7*

REGIONAL POLICY

Thank you for your letter of 29 June to Andrew Duguid.

My Secretary of State has seen the draft paper and has made a number of alterations to it which are incorporated in the attached draft. He has however not yet had the opportunity to consider the proposals made by the Secretaries of State for Wales and the Environment which have only just been received in this office. Neither does the draft attached take account of the minor textual amendment which I understand is required to take account of an error in one of the maps.

Nevertheless I am circulating the paper in this form for information and will let you know as soon as possible tomorrow what further changes my Secretary of State proposes to make to take account of the comments of other Secretaries of State.

I am copying this letter to Tim Lankester (No.10), Tony Battishill (Treasury), David Edmunds (Environment), Kenneth MacKenzie (Scottish Office), George Craig (Welsh Office).

*Yours sincerely,
Peter Stredder.*

PETER STREDDER
Private Secretary

REGIONAL POLICY

NOTE BY THE SECRETARY OF STATE FOR INDUSTRY

We agreed in Opposition that expenditure on regional policy, especially in its industrial aspects, was excessive and far from cost effective. Expenditure under the Industry Act now runs at about £575 million a year. We thought that it should be possible to save some £240 million of this. Accordingly, on taking office, I and the other Ministers most closely concerned set in hand a review of regional policy in order to identify in detail the ways in which expenditure could be cut and other improvements made. The Ministerial Sub-Committee on Economic Affairs (E(EA)) discussed the results of that review on 28 June. We did so on the basis of a summary paper by the Minister of State, Department of Industry (Lord Trenchard) covering a full report by officials (E(EA)(79)13) *Summarised in the Annex* We also had before us a paper before us by the Secretary of State for Wales (E(EA)(79)14) expressing his concern that we were being asked to go too far, too fast and that the proposals as they stood carried heavy political penalties and should be modified on this account. His view was strongly supported in discussion by the Secretary of State for Scotland.

2 Most other members of the Sub-Committee, on the other hand, felt that given our objective to reduce public expenditure and eliminate waste, the proposed changes in regional policy were about right. A number of colleagues, however, were concerned about the timing and presentation of any announcement of the changes envisaged. A number of Ministers felt that the regional policy changes, on their own, were essentially negative. It would help considerably,

/they thought....

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they thought, if they could be presented in the context of a more positive Government programme to encourage enterprise and stimulate investments, particularly in small firms. One possibility here would be the _____ scheme put forward by the Secretary of State for Environment in his letter to me of 27 June, for substantial temporary inducements for new investment this year.

Other accelerator proposals have also been suggested and others are being developed. These could involve tax rebates, additional grants, guarantees or a mixture of all these. All these schemes require to be worked out in detail before Ministers can consider them. And I am now advised that it is too late to work out and include any complicated new scheme in the present Finance Bill.

3 This leaves open the possibility of announcing the Government's intentions in very broad terms and putting flesh on them later in the year. But this course is risky. Even a very general statement at this stage would commit us to taking some sort of action before we are sure we can work out a viable scheme or schemes and, because of its imprecision, it might not be very convincing. I believe that the real choice lies between announcing our regional package now, without any offsetting measures (other than our future approach to section 8 of the Industry Act 1972 including the Selective Investment Scheme) or postponing a decision to the autumn while the other possibilities are examined. It goes without saying that delay beyond the summer recess involves a cash penalty in savings forgone. The advice I have is that a 3-months' delay in announcing our new regional measures might result in the loss of £20-£30 million of savings in 1980/81 and some further loss perhaps on a smaller scale in the two succeeding

financial years. Even more important there is a serious risk that firms may postpone their investment decisions until our announcement.

4 Against this background I would suggest that our discussion in Cabinet should seek to answer the following questions:-

(a) Do we confirm that regional policy must make a substantial contribution to the cuts in public expenditure we are seeking?

(b) If so, do we accept the basic proposal in ^{para 2 of the annex} ~~E(EA)(79)43~~ that the rate of Regional Development Grant (RDG) in Development Areas (DAs) should be reduced, after 12 months notice, from its present level of 20 per cent to 10 per cent? Or do we prefer the Secretary of State for Wales' proposal that the rate of RDGs in these areas should be set at 15 per cent -- with a consequent reduction in savings based on the 1978 Expenditure White Paper, after the necessary transitional period, of £60 million. If account is taken of changed forecasts since the 1978 Expenditure White Paper the net cost would be £30m, assuming boundary changes are accepted as proposed.

✓ (c) Do we accept that RDGs in intermediate areas should be abolished after 12 months notice after a transitional period?

(d) Do we accept that the Assisted Area map should be redrawn after a transitional period of one to three years as proposed in ^{para 1 of the annex} ~~E(EA)(79)43~~ with a consequential saving of £40 to £50 million a year and a reduction in the proportion of the population residing in Assisted Areas from 40 to 25 per cent. Any map of Assisted Area boundaries gives rise to criticism and difficulties

/which is....

which is one reason why the 1972 boundaries were drawn generously, although experience since then suggests that such generosity increases the resentment of those who remain excluded. The new map, while it represents a degree of compromise between Departments, is broadly based on objective criteria. Within it the most difficult problem identified by the Secretary of State for Wales is the status to be accorded to the Merthyr, Pontypridd and Aberdare travel to work areas which are at present SDAs but which, on the proposals, would become DAs. The Secretary of State also asks that largely rural parts of Dyfed, Gwynedd and Powys that are scheduled, on the proposals, to lose their Development Area status should become Intermediate rather than non-Assisted Areas. A strong political case can of course be made to support these suggestions. The problem however is that there are many areas in England which have a strong claim, on objective criteria, to be treated on a par with these areas. Significant redrawing of the boundaries in Wales would therefore be likely to lead to wholesale redrawing of the boundaries in the rest of Great Britain.

(e) Do we accept the transitional arrangements ^{for the changes} described in paragraph ^{1 and 2 of the annex} ~~9 of E(BA)(79)13~~ or do we introduce the major modification as suggested by the Secretary of State for Wales, eg by ruling out downgrading of any Assisted Area by more than one step on this occasion? Such an outcome would be bitterly resented in those parts of the present North West and Yorkshire Intermediate Areas which are to be downgraded.

(f) Do we accept the proposed relaxation, though no abolition of the Industrial Development certificate controls?

(g) Do we accept the other, relatively minor and so far as I am aware completely uncontroversial, proposals in ^{para 3, 5 and 7 of the} ~~E(EA)(79)43~~ ^{minutes} on such matters as the administration of regional selective assistance, the factory building programme and policy towards Inner Cities, New Towns and Local Authority powers to assist industry?

(h) Should the Scottish and Welsh Development Agencies and the Highlands and Islands Development Board and the Development Board for Rural Wales, continue to operate throughout their present territories subject to such adjustments as are necessary to provide for broadly comparable treatment to that to be given to the English non-Assisted Areas? And should there be greater attention to these institutions and, in England, by the Development Commission, and the Council for Small Industries in Rural Areas (COSIRA) to the rural powers of the new non-Assisted Areas? (Detailed study of any necessary adjustments can be made during the transitional period).

(i) Do we aim to define and announce our new policies before the summer recess (bearing in mind that the approval of the European Commission is required, because almost all the changes involve reductions in aid we hope to obtain the Commission's reactions for more quickly than is normally the case) or do we defer final decisions and announcements until the House reassembles in the autumn?

(j) How can we improve the presentation of our new policy and are there any specific measures to assist industry which we should either foreshadow or seek to decide before the regional

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-3 JUL 1979

REGIONAL INDUSTRIAL POLICY : SUMMARY OF MAIN PROPOSALS
CHANGES IN THE ASSISTED AREAS

1 The present structure of the Assisted Areas (AAs) should be maintained but the boundaries revised in accordance with the attached map. This has been drawn up on the basis of objective, defensible criteria and seeks to avoid the criticisms which have been made of the present AA boundaries. The up grading should take effect immediately. The down gradings should take effect after one year, but where an areas is to be downgraded by more than one step it should go down only one step after one year and only move to the final grading after a further two years, and where an Intermediate Area (IA) is to become a non-Assisted Area this should only be after 3 years not 1 year.

REGIONAL DEVELOPMENT GRANTS

2 Regional Development Grants (RDGs) should be abolished in the IAs; the rate payable in the Development Areas (DAs) should be reduced from 20% to 10%; and the minimum value requirement for individual assets on which grant is paid should be increased from £1,000 to £5,000 for buildings or works and from \$100 to £500 for machinery or plant. The last change should take effect immediately; the first two after one year, in order to delay the impact on industry's cash flow and profitability.

REGIONAL SELECTIVE ASSISTANCE

3 The operating guidelines for regional selective assistance should be tightened to make such assistance more cost effective.

INDUSTRIAL DEVELOPMENT CERTIFICATES

4 Industrial Development Certificates should be abolished in the IAs and the exempting limit in the non-Assisted Areas should be raised to 30,000 square feet.

FACTORY BUILDING

5 The objective should be to secure as near as possible a self-financing factory building and management operation by 1983/84.

OTHER AGENCIES & POLICIES

6 Ministers should take steps to ensure in due course, in the light of the decision on AA boundaries, that the operations of the Scottish and Welsh Development Agencies outside the AAs would be broadly equivalent to those of comparable English institutions, notably the NEB, Development Commission and COSIRA.

7 Account should also be taken by the Ministers concerned of the changes in regional industrial policy, including the revision of the AAs, in their review of policies towards inner cities, New Towns and local authority powers to assist industry.

NORTHERN IRELAND

8 Because of its special circumstances Northern Ireland's industrial policies should continue to be treated separately, though decisions reached for Great Britain will need to be taken into account.

TIMING OF ANNOUNCEMENT

9 The changes in regional assistance to industry and the AA boundaries should be announced and the necessary Order made before the beginning of the Summer Recess, in order to minimise the period of uncertainty for industrial investors.

FINANCIAL IMPLICATIONS

10 The proposed changes in RDGs, RSA and AA boundaries would provide savings of up to about £240 million (1979 summer prices) in 1982/83.

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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

CONFIDENTIAL

2 July 1979

P Le Cheminant

REGIONAL POLICY

RGH

... In response to your letter of 29 June I now
attach the Welsh Office's comments on the
draft paper which it enclosed, together with
explanations where appropriate.

Copies of this go to the recipients of yours.

John Smith

G C G CRAIG

G C G CRAIG

P Le Cheminant Esq
Cabinet Office
70 Whitehall
LONDON SW1A 2AS

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ANNEX

PROPOSED AMENDMENTS TO DRAFT NOTE BY THE SECRETARY
OF STATE FOR INDUSTRY ON REGIONAL POLICY

Paragraph 1 To begin:

"We agreed in opposition that expenditure on regional assistance to industry should be reduced. We then concluded that it should be possible to save some £ million from the figure of £715 million planned for 1982/83 in the previous Government's White Paper on Public Expenditure, with appropriate savings in the preceding years. At the same time, we said in our Manifesto that we would avoid sudden, sharp changes in assistance in regions where older industries were in decline, but seek to relate it more closely to cost per job.

On taking office, I and the other Ministers ..."

[Comment: My Secretary of State thinks it important to remind the Cabinet what the Manifesto said about regional policy. We also suggest that a common price base be used; using the White Paper, the figures for 1982/83 would be saving £220 million on £715 million.]

Bottom of Page 1 To read:

"... the proposals as they stood carried heavy political and economic penalties and should be modified. His view ..."

Page 4 Add to (a):

"... seeking? Is the scale of the proposed cuts and their effect on industry acceptable?"

Bottom of Page 5

Delete "wholesale", which is prejudiced; to say
"... be likely to lead to pressure for redrawing of the boundaries..."

Page 6

The whole of the second sentence of (g) to be replaced

11 JUL 1979
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by the following:

"Should the activities of the Scottish Development Agency, Welsh Development Agency and Development Board for Rural Wales be redefined so that their regional policy operations in non-assisted rural areas are made consistent with the general pattern of the operations of the Council for Small Industries in Rural Areas (COSIRA) in non-assisted rural areas in England?"

∟ Comment: The WDA and DBRW are empowered in the relevant legislation to operate across the whole of their areas, all of which are presently assisted. There is no question of their expanding in descheduled rural areas; the issue is whether, in order to preserve a policy for assistance in rural Wales (the the present Government has a manifesto commitment to maintain the DBRW) without disturbing matters in England, the Welsh bodies should be required to operate in any Welsh descheduled rural areas, in a more restricted manner, ie one that is compatible with COSIRA's activities in some non-assisted areas in England. This applies to factory building, loans and land reclamation. The wording takes account of the fact that there are certain other activities, eg taking equity according to guidelines which apply across the UK as a whole, which are outside the scope of regional incentives to industry. These activities are, however, on a very small scale. ∟

Welsh Office
July 1979



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PRIME MINISTER

PRIME MINISTER

REGIONAL POLICY

*am not prepared to take
of Cabinet on
Thursday morning
which I know no one
about, on what I
have not been briefed
for a year or so
I do not know what
has been seen
in*

The draft Cabinet paper in its present (Friday night) state is at flag A. It has not been seen by Sir Keith Joseph, but he will be working on it over the weekend. As you well know, much feeling has already been expressed on both sides. There will be time to incorporate any comments you may have on the

[minutes at B]
[C and D]

We had a long discussion in E(EA) on Thursday about this, on the basis of a paper, E(EA)(79)13, by the Minister of State, Department of Industry (Lord Trenchard). The main proposals in this paper were:-

paper.
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- (i) to maintain the present structure of regional assistance;
- (ii) to reduce substantially the level of regional development grant in development areas and to abolish it, after a transitional period, in intermediate areas;
- (iii) to reduce the coverage of assisted areas generally, from the present 40 per cent of the population to about 25 per cent.

The paper also made a number of proposals about industrial development certificates, selective assistance which might have to carry greater weight in attracting particular investment projects activities of the Welsh and Scottish Development Agencies. The financial objective of the proposals would be to achieve savings of £236 million a year by 1982-83 - this being the target we agreed in Opposition. Because of the need for transitional arrangements to cushion the effects of the changes the savings would not begin to accrue until next year and the bulk would fall in 1981-82 and later years. In presenting his proposals the Minister

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of State stressed the need for an early, ie pre-summer recess, announcement if business was to know where it stood and the expected savings were not to be delayed.

[E]

There was considerable opposition to these proposals. The Secretary of State for Wales had already circulated a paper - E(EA)(79)14 - stating his objections. The Secretary of State for Scotland joined him in opposition at the meeting. The main arguments they advanced

- ① were that the changes proposed were too large and too sudden and
- ② thus inconsistent with our Manifesto commitment to avoid "sudden, sharp changes in the measures now in force". The effect would,
- ③ they feared, be to withdraw a considerable volume of new investment and new developments. They were also worried that the reduced
- ④ levels of assistance resulting from the proposed changes would put us at a disadvantage in attracting international investment against the strong competition of our EEC partners. More fundamentally however they felt that the political impact of the proposals would be very adverse, particularly in those marginal constituencies newly won from the Nationalists (in Scotland) or the Labour Party (in Wales). Other Ministers also had reservations of varying kinds. One thread of argument was that we should not rush into major changes in regional policy without a good deal of thought. Hasty action carried the danger of a later need to reverse engines. Another thread of argument was that concessions on the boundaries of assisted areas in Scotland and Wales would lead to demand for comparable treatment in the English regions, particularly in the North East and the South West, which would risk unstitching a major

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part of the package. But both the Secretaries of State for Scotland and Wales identified a small number of changes which they regard as crucial. Yet another thread, advanced notably by the Secretary of State for the Environment, was that the proposed changes would be much better received if they could be accompanied by announcements of new measures designed to stimulate industrial growth, especially by small businesses. Mr Heseltine had particularly in mind here various "accelerator" proposals such as those which I had told your recent meetings of Ministers with John Hoskyns that I was already working on and such as those he put forward to you in his minute of 22 June and in his letter to me of 27 June. These proposals are of course still at a fairly tentative stage. They include both fiscal changes and new expenditure commitments which might offset some or all of the savings to be had from the review of regional policy. There is of course as yet no provision for such measures in our public expenditure plans.

In the same vein a number of colleagues felt that the presentation of the package could be aided by decisions to safeguard the operations of the Welsh and Scottish Development Agencies and similar bodies in those areas which would lose assisted area status. The additional expenditure involved here would, it was thought, be very small. It was recognised that to wait for a full package of offsetting measures - assuming one can be agreed - might involve considerable delay. There was some division of view between those who felt that such delay would be worth while and those who felt that it would be enough to foreshadow our future intentions

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without being very specific about them. It is, I think, reasonably clear that only the latter course would enable us to make an announcement before the recess.

Later in the meeting the Sub-Committee also touched on a related problem concerning the proposed closure of steel-making at Shotton. Officials are preparing a draft Government statement to be issued at the time when the proposed closure becomes public knowledge. Clearly this would be much easier to handle if final decisions on regional policy had been taken before the Shotton announcement is made. The discussion in E(EA) on regional policy was in any case intended as a preview for discussion in Cabinet on 5 July. With your agreement, I propose to circulate a paper, summarising the discussion in E(EA) and listing the items on which decisions are now needed. The timing is fairly crucial. If an announcement is to be made before the recess and an Affirmative Resolution passed to alter the level of RDG, we need to allow a week for clearance in Brussels, and we cannot therefore slip beyond Cabinet on 5 July. (I understand that Cabinet on 12 July will be mainly concerned with the Public Expenditures Review). I hope you agree on changes in regional policy which could be announced before the recess, together with some indication of our more positive "accelerator" measures to help industry.

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I am sending copies of this minute to the Secretaries of State for Employment, the Environment, Scotland, Wales, Trade, Minister of Transport, and to Sir John Hunt.

PJS

PP K J

29 June 1979

(Approved by the Secretary of State and signed in his absence)

Department of Industry
Ashdown House
123 Victoria Street
London SW1

CONFIDENTIAL



29 JUN 1979





CONFIDENTIAL

H. Laukester
CABINET OFFICE
70 WHITEHALL
LONDON SW1A 2AS

233 8339
P.048

29 June 1979

Andrew Duguid Esq
Department of Industry

Dear Andrew

REGIONAL POLICY

We undertook, after yesterday's meeting of E(EA), to produce a draft Cabinet paper on regional policy for your Secretary of State to consider and circulate to Cabinet in time for discussion next Thursday. In sending you the attached draft for this purpose I would particularly draw attention to the following points:-

(a) Given that the Cabinet is to discuss the main public expenditure proposals on July 12, it would be particularly desirable for the regional policy decisions to be taken next week. This means circulating a paper to Cabinet at latest on Tuesday morning. There are two mechanical problems about this timetable. At E(EA) your Secretary of State undertook to consult, if time allowed, with the Secretaries of State for Wales and Scotland. As an aid to this I am sending a copy of this letter and enclosure to the Scottish and Welsh Private Offices and would ask them to let you have comments direct as soon as possible but in any case not later than Monday morning.

(b) In his minute reporting yesterday's discussion to the Prime Minister your Secretary of State sought, in the usual way, permission to circulate a paper to Cabinet and undertook to let the Prime Minister have his version of that paper as soon as possible. The Prime Minister is of course still in the Far East and will not return to London until late on Monday afternoon. There is however an arrangement whereby papers can be sent to the Prime Minister's party this evening and I am accordingly, and exceptionally, sending a copy of the present draft to No 10 so that

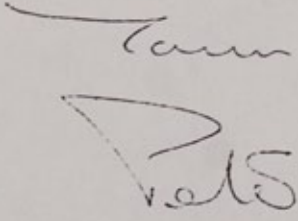
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they can, if they think it helpful, send it to meet the Prime Minister's party in Singapore.

(c) In the time available we have been unable to clear our draft for factual accuracy with the Departments concerned. I would accordingly be grateful if you and other ^{copy} addressees could arrange for your officials to carry out this checking. As some of the matters dealt with touch on the responsibilities of the Treasury and as reference is made to Mr Heseltine's 'accelerator' proposals, copies also go to the Private Offices at the Treasury and Department of the Environment with a similar request for checking and, in the case of the Treasury, for insertion of the missing figures.

(d) Although the draft is drawn from the papers and discussion at yesterday's E(EA) meeting, we tried last night to find out the present status, and the timetable implications, of Mr Heseltine's 'accelerator' proposals - because this bears critically on the decision to be taken about the timing of an announcement. Our discoveries, based on official advice from the Treasury, the Revenue, Department of the Environment and your own Department, are reflected in the draft. In view of the complexities we have arranged for the Revenue to produce a very short summary of the scheme, and some of the difficulties it raises, which all the Ministers concerned can have annexed to their briefs for Cabinet on Thursday.

2. I am copying this letter to Kenneth Mackenzie (Scottish Office), George Craig (Welsh Office), David Edmonds (Environment), Tony Battishill (Treasury), Tim Lankester (No 10) and Martin Vile here.


P Le CHEMINANT

REGIONAL POLICY

NOTE BY THE SECRETARY OF STATE FOR INDUSTRY

We agreed in opposition that expenditure on regional policy, especially in its industrial aspects, was excessive and far from cost-effective. Expenditure under the Industry Act now runs at about [£] million a year. We thought that it should be possible to save some £240 million of this. Accordingly, on taking office, I and the other Ministers most closely concerned set in hand a review of regional policy in order to identify in detail the ways in which expenditure could be cut and other improvements made.

The Ministerial Sub-Committee on Economic Affairs (E(EA)) discussed the results of that review on 28 June. We did so on the basis of a summary paper by the Minister of State, Department of Industry (Lord Trenchard) covering a full report by officials (E(EA)(79) 13). We also had before us a paper ~~before us~~ by the Secretary of State for Wales (E(EA)(79)14) expressing his concern that we were being asked to go too far, too fast and that the proposals as they stood carried heavy political penalties and should be modified on

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this account. His view was strongly supported in discussion by the Secretary of State for Scotland.

2. Most other members of the Sub-Committee, on the other hand, felt that given our objective to reduce public expenditure and eliminate waste, the proposed changes in regional policy were about right.

A number of colleagues, however, were concerned about the timing and presentation of any announcement of the changes envisaged.

A number of Ministers felt that the regional policy changes, on their own, were essentially negative. It would help considerably, they thought, if they could be presented in the context of a more positive Government programme to encourage enterprise and stimulate investments, particularly in small firms.

there are a lot of other proposals around, such as those discussed at the John Hoskyns meeting

One possibility here would be the "accelerator" scheme put forward by the Secretary of State for Environment in his letter to me of 27 June, for substantial temporary inducements for new investment this year.. A number of others had also been suggested. These could involve tax rebates, additional grants, guarantees or a mixture of all these. All these schemes require to be worked out in detail before Ministers can consider them. And I am now advised that it is too late to work out and include any complicated new

3.
scheme in the present Finance Bill.//This leaves open the possibility of announcing the Government's intentions in very broad terms and putting flesh on them later in the year. But this course is risky. Even a very general statement at this state would commit us to taking some sort of action before we are sure we can work out a viable scheme or schemes and, because of its imprecision, it might not be very convincing. I believe that the real choice lies between announcing our regional package now, without any offsetting measures or postponing a decision to the autumn while the other possibilities are examined. It goes without saying that delay beyond the summer recess involves a cash penalty in savings forgone. The advice I have is that a 3-months' delay in announcing our new regional measures might result in the loss of £20-£30 million of savings in [1980-81] and some further loss [perhaps on a smaller scale] in the two succeeding financial years. There is also the risk that a delayed announcement will lead firms to postpone investment decisions until they know what our new policy is to be.

4. Against this background I would suggest that our discussion in Cabinet should seek to answer the following questions:-

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(a) Do we confirm that regional policy must make a substantial contribution to the cuts in public expenditure we are seeking?

(b) If so, do we accept the basic proposal in E(EA)(79) 13 (RDG) that the rate of Regional Development Grant in Development Areas (DAs) should be reduced from its present level of 20 per cent to 10 per cent? Or do we prefer the Secretary of State for Wales' proposal that the rate of RDGs in these areas should be set at 15 per cent - with a consequent reduction in savings, after the necessary transitional period, of [£ million]?

(c) Do we accept that RDGs in intermediate areas should be abolished after a transitional period?

(d) Do we accept that the Assisted Area map should be redrawn as proposed in E(EA)(79) 13 with a consequential saving of £40 to £50 million a year and a reduction in the proportion of the population residing in Assisted Areas from 40 to 25 per cent

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Any map of regional boundaries presents problems - which is one reason why the boundaries established in 1972 were generously drawn. The new map, while it represents a degree of compromise between Departments, is broadly based on objective criteria. Within it the most difficult problem identified by the Secretary of State for Wales is the status to be accorded to the Merthyr, Pontypridd and Aberdare travel to work areas which are at present SDAs but which, on the proposals, would become DAs. The Secretary of State also asks that largely rural parts of Dyfed, Gwynedd and Powys that are scheduled, on the proposals, to lose their Assisted Area... status should retain / ^{Intermediate Area} status. A strong political case can of course be made to support these suggestions.

The problem however is that there are many areas in England which have a strong claim, on objective criteria, to be treated on a par with these areas. Significant redrawing of the boundaries in Wales would therefore be likely to lead to wholesale redrawing of the boundaries in the rest of Great Britain.

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(e) Do we accept the transitional arrangements described in paragraph 9 of E(EA)(79) 13 or do we modify them as suggested by the Secretary of State for Wales, eg by ruling out downgrading of any Assisted Area by more than one step on this occasion?

(f) Do we accept the proposed relaxation, though not abolition of the Industrial Development certificate controls?

(g) Do we accept the other, relatively minor and so far as I am aware completely uncontroversial, proposals in E(EA)(79) 13 on such matters as the administration of regional selective assistance, the factory building programme and policy towards Inner Cities, New Towns and Local Authority powers to assist industry? Should the Scottish and Welsh Development Agencies be allowed to continue operating, on a restricted and controlled basis, in the new non-Assisted Areas? and should they be allowed to expand in the de-scheduled rural areas on a somewhat larger scale than at present?

(h) Do we aim to define and announce our new policies before the summer recess (bearing in mind that a short period of

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consultation with the European Commission will be required)
or do we defer final decisions and announcements until the
House reassembles in the autumn?

(i) How can we improve the presentation of our new policy and
are there any specific measures to assist industry which we
should either foreshadow or seek to decide before the
regional announcement is made?



Regional
Policy

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

13 June, 1979

Jim Prior

R 15/6

REGIONAL POLICY

Jim Prior wrote to me on 8th June to stress the need for a speedy and thorough review of regional policy, including Assisted Area boundaries. I should like to endorse Jim Prior's general approach and to note some general points before your review reaches final conclusions.

My concern is of course that we should achieve the target reductions on regional expenditure which we set in Opposition. This of itself will ensure a much more discriminating approach. Within this central objective I share Jim Prior's view that the most generous help should go to those areas which need it most. Certainly our public expenditure targets will ensure that there will be little room for spending in the existing Intermediate Areas.

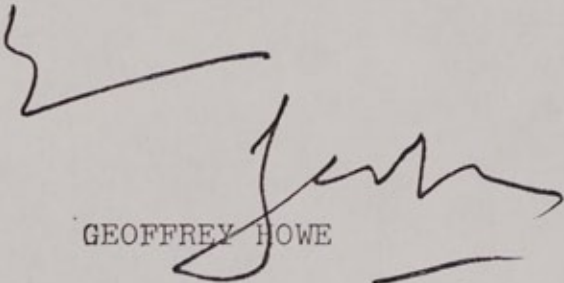
I recognise that the task of re-drawing the boundaries of the Assisted Areas is complex and sensitive. I do not wish to comment on where the boundaries should be drawn in this letter. But I am sure that you will agree that your review should lead to a more robust and rational method of drawing the boundaries according to specific criteria which will eliminate the anomalies to which Jim Prior draws attention. I understand from my officials that the review at official level is taking this approach in establishing a new regional 'map'. I recognise that there are wider problems which cannot be ignored - the need to attract inward investment, EEC considerations, a fair balance between England, Scotland and Wales. But I hope that at the end of your review we shall have a set of criteria which would enable us

The Rt. Hon. Sir Keith Joseph, Bt. MP.
Secretary of State for Industry,

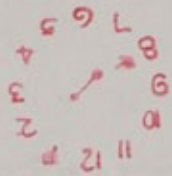


to conduct a new review after a stated number of years to see whether new anomalies had crept in which should be eliminated. Perhaps there is a case for including in any public announcement at the end of your review a guarantee that areas given Assisted Area status would retain that status for a fixed period but that the boundaries would then be reviewed.

I am sending copies of this letter to the Prime Minister, Jim Prior, Michael Heseltine, George Younger, Nicholas Edwards and Humphrey Atkins.



GEOFFREY HOWE



18 JUN 1979



8 ST. JAMES'S SQUARE LONDON SW1Y 4JB

Telephone Direct Line 01-214 6025

Switchboard 01-214 6000

Handwritten mark resembling a stylized 'T' or 'L'.

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Great George Street
LONDON SW1P 3AG

8 June 1979

Handwritten signature of Geoffrey Howe.

I have seen George Younger's 24th May letter to you concerning economic prospects for Scotland and the implications for regional policy.

Naturally I share fully his concern about employment prospects in Scotland, particularly in problem areas such as Strathclyde. And like George I attach the highest priority to bringing down the level of unemployment. But we must have regard to the employment problems of all parts of the country. And I have no doubt that many places (for example, Merseyside, which alone has more than half as many unemployed as the whole of Scotland) will feel they too have strong claims to special treatment. In these circumstances we should have to balance many competing demands for scarce resources.

What seems most important to me, therefore, is that whatever the future may hold we get the priorities of regional policy right now, so that the areas which need it most receive generous and effective help, even if this means doing less than we would like for other areas with genuine but lesser problems. And I certainly agree with Keith Joseph (his letter to George Younger of 1 June) when he says that the present Assisted Areas are too large. In my view all of this points to a speedy, but thorough, review of Assisted Area boundaries, leading to substantial reductions in the overall size of the Assisted Areas, and the correction of the numerous anomalies enshrined in the present boundaries.

As to short-term economic prospects, George suggests that the Scottish economy and Scottish jobs are particularly at risk. No doubt this would be disputed by spokesmen for the North East and Merseyside. Unemployment in the North, for example, has been running at a higher rate than in Scotland for a number of years, and the gap between the two has widened



appreciably since 1977. In any case, as far as Scotland is concerned I think we are entitled to draw some encouragement from the claims in the Spring 1979 edition of the Scottish Economic Bulletin that "there is little reason overall to expect the performance of the Scottish economy to diverge greatly from that of the UK over the period immediately ahead".

I am copying this letter to recipients of George Younger's.

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- 8 JUN 1979





*Original filed
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Pol*

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon George Younger TD MP
Secretary of State
Scottish Office
Dover House
Whitehall
London SW1A 2AU

7th June 1979

Dear Sir,

Thank you for your letter of 24 May addressed to Geoffrey Howe about the economic outlook for Scotland. It falls to me to reply, since the specific points you make concern public expenditure. But of course we have both noted your general comments, which we are glad to have.

I do not need to enlarge on the central importance to our strategy of major cuts in public expenditure. We are all agreed on that. It is inevitable, and right, that the programmes which concern you should make a substantial contribution.

But of course it is right to take account of the considerations you mention. I understand from my officials that this has been done in framing the spending reductions devised by Jim Prior for this year. The small firms employment subsidy will continue to be available to manufacturing industry in development and special development areas, and the special temporary employment programme will now be confined to these areas. Thus the main impact of the savings on employment and training and schemes will be on parts of Britain where unemployment is lowest.

I note that you will be discussing regional policy with Keith Joseph in the near future. But I am bound to say that I am sure we need to look for major reductions in the large amounts of money disbursed under this heading too.

I was glad to hear that you now intend a further saving on the Scottish Development Agency this year, in addition to that proposed in C(79)4. This is certainly helpful.

I am sending copies of this letter to the Prime Minister, and the Secretaries of State for Industry, Employment, Environment, Wales and Northern Ireland.

John Biffen
JOHN BIFFEN

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SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Prime Minister

To glance

R 2575

24 May 1979

and

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON SW1

In view of the preparations you are now making for the budget and the discussions we are having on public expenditure I hope you may find it helpful to have an account of how we see the economic outlook in Scotland. I am to have a meeting shortly with Keith Joseph to discuss regional policy but I am concerned that any forthcoming changes in policy should be seen against the wider economic background.

The various economic forecasts for the UK economy, though differing in detail, all agree that unemployment during 1979 is likely to rise. In part this is a consequence of the low growth rate in world trade, and in part the result of our own weak export performance stemming from the combination of a strong and stable currency with rising unit costs of production; but the result is that economic growth in the UK is unlikely to match the economies natural growth in productive potential so that there will be an increasing surplus of unemployed labour. Recent economic performance in Scotland has, if anything, been slightly weaker than for the UK as a whole; and with a serious situation affecting a number of our major industries, notably shipbuilding, we would expect this weaker performance also to be a feature of the year ahead. With seasonally adjusted unemployment in Scotland now at 7.3%, this means that rates of between 8 and 10% for Scotland as a whole, and much higher in difficult areas such as Strathclyde, are quite probable next winter with
out

There is of course very widespread concern over unemployment in Scotland, particularly in Strathclyde, and over the difficulties faced by some of our major industries. There is no doubt that this was a major factor in the Scottish election results and I have made it clear publicly that I attach the highest priority to bringing the level of unemployment down. For the longer term I am in no doubt that reduced levels of direct taxation and a reduction in the cost of finance for industries through lower interest rates are a pre-requisite for fostering entrepreneurship and stronger economic growth. But the benefits of these measures will take time to work through. In the short term increased personal disposable income as a result of tax reductions is likely, particularly with the present strong exchange rate, to result in increased imports of consumption goods, while the offsetting reductions in public expenditure which we must make will necessarily give rise to higher levels of unemployment.

I accept that some discomfort in the short term is a price which it is necessary to pay for a better future. But I am particularly concerned that we should not press too far our economies on support for industry in regions of high unemployment and on the MSCs temporary employment measures, both of which are my responsibility in Scotland. If we do, I am convinced that we could rapidly increase Scottish unemployment to levels which become both socially and politically intolerable and jeopardise our chances of holding to our long term aim. We could also find that our hard earned savings were largely offset by a greater outlay on unemployment and social security benefits. The present industrial recession is so severe and the squeeze on company profits and liquidity is so intense that many companies face difficulties which in normal times could be confident of good long run prospects. Under the provisions of our 1972 Industry Act my Department has been able to use section 7 assistance to help in many cases and I attach very great importance to being able to continue to do this. Indeed in my discussions with the STUC I have said that so long as a good prospect for a viable future can be demonstrated we will do our best to help companies in difficulty. For new industrial projects also the level of assistance we can offer is of great importance since we face intense competition from other European countries, as has been evident from some recent cases. As to the temporary employment measures, these are of course only a stop gap in the present very difficult situation, but they reduce the unemployment register in Scotland by some 20 thousand and through the work experience and training they provide are of considerable social benefit. Thus while I accept that it is clearly right to review both regional and industrial policy and the MSCs temporary measures to ensure that we have the maximum cost effectiveness, I hope that the general framework of the 1972 Act can be kept intact and that we will not attempt drastic savings on these policies.

Finally, I must add a political note. We remain the only political party which in the post war years has ever won a majority of the total Scottish vote, but our position in recent years has slipped very badly and, despite the set-back to the SNP, was disappointing at the last election. If we are to improve our position as I believe we must, we have to demonstrate that our policies particularly in the economic field match up to Scotland needs. Regional policy, at least in its modern form, owes its origin to the conservative Government of the early 1960s and since then much can be claimed to its credit; over 100,000 additional jobs in Scotland according to the best independent estimate, greatly reduced emigration and levels of prosperity much closer to the UK average. We would do Scotland and ourselves a great damage if we were to allow that momentum to be lost.

I am sending copies of this letter to the Prime Minister, Keith Joseph, Jim Prior, Michael Heseltine, Nicholas Edwards, Humphrey Atkins and John Biffen.

GEORGE YOUNGER





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