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REGIONAL POLICY - A NEW APPROACH

by

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A New Approach

1. The assisted areas of Britain are marked by above average levels of unemployment, a lower level of earnings, low standards in housing, obsolete factory buildings, net migration, a low level of social amenities and a lack of local entrepreneurial talent. These factors in turn have deterred new industry and so a vicious circle of decline is created.

2. A quarter of our people live in these areas. This year some £575m. will be spent on them in direct regional assistance alone. It is not possible to quantify how much of what has happened would have happened anyway. But undoubtedly some progress has been made through the system of incentives and planning controls in attracting industry to these areas, but this falls far short of what should and can be achieved.

3. What is needed is not more of the same, more bureaucratically directed, centrally controlled, blanket measures, but a policy which activates local enterprise and initiative, which gives to each assisted area the motivation to build up a balanced and dynamic industrial base. This must mean giving to the regions much greater control over their industrial development.

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Regional Development Councils

4. At present there exist a number of Regional Industrial Development Boards. These boards (which we set up) advise on regional industrial development and on selective financial assistance for the development of industry in the regions. These boards are made up of members appointed by the Secretary of State for Industry. The Board's members are drawn from local industry and commerce.

5. It is proposed to give to these boards a greater independence and flexibility in exercising responsibility for the industrial development of their regions. Under present arrangements the Boards recommend schemes for industrial support but only within existing central guidelines.

- There is no genuine competition between the regions and only minimal scope for designing a package of proposals intended to attract a specific type of company to a particular area. The new approach would take the existing total sum spent either in the form of R.E.P. or selective aid and allocate a part of it to each region.

- The aggregate of the regional budgets would be less than what is being currently spent in order to meet our public expenditure objectives. But within each regional budget the constraints of existing central guidelines, laid down by the Secretary of State for Industry, would be abolished.

why?

- The criteria within which Regional Councils would be authorised to attract new investment would be discussed and argued between each RDC and the Secretary of State.

6. In recognition of their new function it is proposed to re-name these boards: Regional Development Councils (hereafter referred to as RDC's)

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The Advantages of Using RDC's

7. The advantages of using these Boards include:

   (a) They cover regions large enough to be viable economic units (see Map appended) and which already have a degree of regional consciousness

   (b) They already exist, so there will be no administrative disruption

   (c) They have an existing fund of knowledge and experience and show a realistic grasp of market forces and industry's requirements

   (d) They are already integrated into the existing Regional Offices of the Department of Industry and other relevant Government departments and local authority structures

Membership of RDC's

8. Since RDC's will be given money and charged with spending it on the development of their region, it will be essential to involve the whole community in their work. Consequently it is proposed to change the membership to include representation from the local authorities, trade unionists and to recruit from other bodies that can contribute to the development of the region, e.g. universities.

why?

9. But it is essential that at least 50% of the RDC's should be drawn from industry and commerce so that these RDC's continue to have a strong entrepreneurial orientation.

10. The RDC's members will be appointed by the Secretary of State for Industry as are the present Regional Industrial Development Boards.

The Allocation of Money to the RDC's

11. The allocation of total sums of money to each region would need to be determined by criteria which (a) command the widest support possible (b) are likely to contribute to the rational economic development of the region and the nation, and (c) avoid too sharp fluctuations in a region's cash allocation.

12. One consequence of the changes outlined might be to concentrate regional support on the black spots within a region rather than spreading it more thinly throughout.

The Balance between Central Government and RDC's

13. The RDC's should be given wide discretion over the use to which they put their money. Indeed this is the essence of the new system. It will be up to each RDC to devise a strategy for its region, to decide on the type of aid and encouragement they wish to give industry, and the industrial profile they want to achieve.

14. RDC's will also be given the freedom to spend their regional development budget on such things as roads and social amenities, providing that such spending can be demonstrably linked to the

.../industrial

linked to the industrial development of the region.

Co-ordination and Advice

15. The Secretary of State will use the existing industrial development units within the Department of Industry to advise the RDC's on their development programmes, to co-ordinate RDC policies so that no self-defeating clashes arise, to supplement the provision of essential infra-structure which transcends one region. The Secretary of State will also carry out audits on the development programmes of the RDC's.

The Designation of Regions

16. At present regions are designated as special development, development and intermediate areas. Such divisions would obviously be reflected in the assessment of a region's total cash allocations, but it would be up to each region to designate new zones inside their region if they wish. This should encourage regions, acting under closer, more continuous scrutiny than national government, to spend their cash on viable growth areas, instead of dissipating it in futile attempts to preserve non-viable firms and industries.

R.E.P.

17. R.E.P. accounts for about half of total current spending on regional policy. It is an almost certainly inefficient and costly subsidy. Unfortunately it is supported both by the CBI and the TUC. One advantage of adopting the present system is that it would enable R.E.P. to be phased out, on the grounds that it would be up to R.D.C.'s to develop their own ways of attracting industry to the regions. If a region wanted within its cash limit to continue R.E.P. it could, but it is doubtful if in practice they would as its continuance would reduce the effectiveness of the new RDC's.

Industrial Development Certificates

18. There is evidence that IDC policy has been too inflexibly applied, inhibiting not just the location of industry but its expansion. IDC policy should therefore be considerably relaxed. Once again the objection to this from the assisted areas will be blunted if such relaxation is part and parcel of the new system outlined in this paper.

The Advantages of Greater Regional Autonomy

19. These can be summed up as follows:

1. RDC's will have an incentive to become salesmen for their regions. Dynamic regional sales teams, as are familiar in the U.S.A., will go out and get new industry for the regions, replacing the essentially passive bureaucratic approach which prevails at present.

2. RDC's will have a vested interest in seeking a long-term approach to the social and industrial development of their region.

.../3. RDC's

Why 3. RDC's should be able to co-ordinate a much more integrated approach, involving for example, the region's transport and housing plicies, than has been the case in the past.

4. A more de-centralised approach should reduce administrative delays which are now considerable.

5. To the extent that aid is project-specific and more selective, it should be more cost effective.

6. Companies too will benefit from being able to negotiate terms at regional level which could be adapted to their companies' particular requirements or projects. This has been the experience in West Germany.

7. The proposals mirror the concept that has been established in the Scottish and Welsh Development Agencies which are locally popular.

(See Map appended)

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MAP 1