



Foreign and Commonwealth Office

London SW1A 2AH

23 January 1981

(4)

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Pmt

Prime Minister

To rule.

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Pmt

Dear Michael

(am not
sure when.)

I understand that Sir James Scott-Hopkins recently complained to the Prime Minister and to Lord Soames that most of the Budget refunds coming to the UK under the Supplementary Measures scheme appeared to be going to Labour dominated areas of the United Kingdom. The following background may be useful.

The terms of the Regulation establishing the Supplementary Measures scheme provide that they will be implemented by means of financial assistance for certain categories of investments included in special programmes drawn up by the United Kingdom. These programmes, as a general rule, must be in areas eligible for State Regional Aid, which for the United Kingdom, means the Assisted Areas at 1 January 1980. In practice, for historic and economic reasons, these tend to be those areas suffering structural problems associated with the run-down of traditional industries like coal, steel, shipbuilding, and textiles. Historically, these are areas which have tended to return Labour Members of Parliament. It therefore follows that aid under the Supplementary Measures Scheme will be primarily in respect of projects which are part of programmes in Labour held constituencies. But not entirely so.

Sir James Scott-Hopkins will have had detailed briefing on the Supplementary Measures scheme, and on the way in which the Government
/intends

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intend to deal with the refunds received. He will be aware that projects which form part of the programmes in Wales, now attracting support from the Community Budget, include the construction and improvement of parts of the A55, the main East-West route in North Wales. This will bring direct economic benefit to an area which includes four Conservative constituencies - Anglesey, Conway, Denbigh and West Flint. The local MEP is Miss Brookes. In addition, the advance factory building programme, which will also attract Community support, will aid the construction of advance factories in the Pembroke and Barry constituencies.

Projects in the North include the following:

(a) Transport.

The Greater Manchester Ring Motorway will be of general benefit to the region, and the Haslingden bypass will benefit specifically Rossendale and Darwen; the Ellesmere Port motorway extension will help Chester and Bebington and Ellesmere Port;

(b) Railways

Improved track and signals will be of benefit throughout the region but there are major schemes for signalling at Chester and electrification of the Preston-Blackpool line which will benefit in particular Preston North, Blackpool South and Blackpool North;

(c) In Telecommunications, there will be projects of direct benefit to Macclesfield, Lancaster, Chester and Chorley;

(c) Finally, Community aided projects in water sewerage will help Ellesmere Port, Blackpool South and North, Macclesfield, Nantwich and Southport.

All these, of course, are Conservative constituencies.

In any case the refunds from the Community are not being passed on to local spending authorities. They enable public expenditure programmes generally in the United Kingdom to be sustained at levels

/higher



higher than the country could otherwise have afforded. Expenditure programmes throughout the country are benefitting and the benefit is not confined to certain regions.

Sir James Scott-Hopkins might also be interested to know that we estimate, (although difficulties in aligning different boundaries complicate the calculation) that some 30% of Sir James' Conservative MEP colleagues have constituencies containing Assisted Areas. The constituencies of 10 Conservative MEPs will benefit directly or indirectly from the measures, and of only four Labour MEPs. Some 108 Conservative MPs at present sit for Westminster constituencies which contain some part of an Assisted Area; 39 of these will benefit more or less directly from the Supplementary Measures.

I am copying this letter to Edward Chaplin in the Lord President's office.

Yours ever

Michael Arthur

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