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From: THE PRIVATE SECRETARY

cc Press
SAP



NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
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Prime Minister

W Rickett Esq
10 Downing Street
London SW1

Agree this statement?

21 March 1983

Yes not

MCS 22/3

Dear Willie

NORTHERN IRELAND - NEW ECONOMIC INITIATIVE

Following the decisions taken at E Committee last week, the Secretary of State for Northern Ireland proposes to make a statement to the House of Commons on Wednesday 23 March, and that statement should be repeated in the House of Lords. It will also be read out in the Northern Ireland Assembly.

I enclose a draft of the statement which has been approved by Mr Prior, and which seeks to reflect the points which Ministers made at E Committee. We have sought to emphasise, and will repeat in answer to questions, that it is the specific and unique circumstances of Northern Ireland that justify the decisions being announced, so as to prevent any presumption that the decisions will be extended to other parts of the country. We have also brought into the statement some of the other measures currently being introduced in Northern Ireland to improve industrial competitiveness and managerial quality - E Committee asked that some of these additional measures should be mentioned as part of the context of the other decisions.

Officials have discussed our proposals informally with the European Commission who, recognising the special circumstances of Northern Ireland, say they are prepared to accept the introduction of Corporation Tax Relief Grant and the other measures.

I am sending copies of this letter and the draft statement to the Private Secretaries to the Lord President; to Members of E Committee; to Lord Ferrers and to Sir Robert Armstrong. I would be grateful if any comments on the draft could reach me before close of play on Tuesday 22 March.

Yours ever

Derek Hill

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1. Mr Speaker, this House will need no reminding of the unique combination of severe economic and social problems in Northern Ireland. In recognition of these exceptional circumstances the Government has decided to introduce several new measures to stimulate industrial growth, and to maintain viable industrial employment in Northern Ireland.

2. First and foremost the Government has decided to introduce a new grant to reimburse new and expanding industries 80% of the Corporation Tax paid on profits generated by approved projects. This grant will form part of the selective financial assistance packages administered by the Industrial Development Board and by the Local Enterprise Development Unit.

3. Such a step has been widely urged upon us by the Select Committee on Trade and Industry, by political parties in Northern Ireland, by the new Industrial Development Board and by many others. It will be a major new attraction to potential investors.

4. Second, and again in recognition of Northern Ireland's unique economic problems the existing 75% industrial de-rating will be increased to a full 100%. This will both help new investors and bring valuable immediate relief to existing enterprises. The House will shortly be asked to approve an Order giving effect to this de-rating from the beginning of the next financial year.

5. Third, I intend to encourage industry to increase efficiency and competitiveness through an energy conservation scheme. Grants

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at the rate of 30% will be offered on a selective basis towards the cost of approved energy conservation projects.

6. Finally, I intend to introduce two further schemes designed to improve competitive strength and efficiency. There will be a Management Incentives Scheme which will provide grant aid in appropriate cases to companies to help them recruit good quality management. And an Advisory Service to Industry will be established to help Northern Ireland companies to improve their production methods and processes.

8. These measures reflect the advice the Government has received from the new Industrial Development Board, and I am confident they will help the Board in its vital task of conserving and creating employment.

9. A vital contribution is also being made by the Local Enterprise Development Unit, whose new plan for the creation and development of small businesses I approved last year.

10. Mr Speaker, these specific Northern Ireland measures will reinforce the Government's more general steps to assist industry and the economy. Reducing interest rates and the successive reductions in National Insurance Surcharge, for instance, will have as valuable an impact in Northern Ireland as in the rest of the country.

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11. Through these and other measures the Government will continue to play its part in supporting and promoting the economy of Northern Ireland. But a heavy responsibility lies on the people of Northern Ireland themselves, on their industrial, commercial and labour leaders, and on their public representatives to bring home just how exaggerated and distorted is the impression which so many outside have of the Province: we look to them to demonstrate to the industrialists of the world that Northern Ireland is worthy of their confidence and their investment.

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PS/ Secretary of State for Industry

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22 March 1983

W Rickett Esq
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Prime Minister
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Dear Willie

NORTHERN IRELAND - NEW ECONOMIC INITIATIVE

My Secretary of State has seen the draft statement attached to Derek Hill's letter of 21 March. He believes the statement would be strengthened in keeping with discussions in E Committee if the opportunity of the announcement were taken to stress again the role of wage restraint in improving cost competitiveness in Northern Ireland. He believes this is a key point in attracting international investment.

2 The point could conveniently be introduced into the final paragraph of the present draft, perhaps in the following manner:

11. Through these and other measures the Government will continue to play its part in supporting and promoting the economy of Northern Ireland. But a heavy responsibility in the battle for international investment lies on the people of Northern Ireland to keep costs competitive by doing all they can to improve productivity and exercise wage restraint; and on the people, their industrial, commercial and labour leaders, and on their public representatives to bring home just how exaggerated and distorted is the impression which so many outside have of the Province: we look to them to demonstrate to the industrialists of the world that Northern Ireland is worthy of their confidence and their investment.



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3 I am sending copies of this letter to the Private Secretaries to the Lord President; to Members of E Committee; to Lord Ferrers and to Sir Robert Armstrong.

Yours ever
Steve Nicklen

STEPHEN NICKLEN
Private Secretary

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