

D.R.
PRIME MINISTER

REGIONAL POLICY

The following is based on a discussion with Peter Gregson.

If regional policy was transferred to the Department of Employment, Peter believes that responsibility for attracting inward investment would need to go to that Department as well - the main motive for attracting inward investment is to benefit the regions, and especially to create jobs. He had envisaged that would happen in his earlier advice to you.

The transfer of responsibility for regional policy to the Department of Employment would take with it to that Department responsibility for the administration of both Section 7 and Section 8 of the Industry Act in so far as these powers were exercised for regional policy purposes. This would not prevent e.g. the Secretary of State for Industry exercising Section 8 powers for another purpose (e.g. to make grants to encourage industrial innovation). This division of responsibility for the administration of Section 8 powers between two Secretaries of State is not unprecedented: for example, under the Labour Government (and at the beginning of yours) the Secretary of State for Energy used Section 8 powers for effectively subsidising British built equipment for the North Sea.

You were concerned that the transfer of regional policy responsibility to the Department of Employment might require a company, like Nissan, to shop around between two Departments for grant - the Department of Employment for "normal" Section 7 regional grants and Section 8 for the special incentives. Under the arrangement described above, this would not happen. The company would have dealt, for purposes of grant, with the Department of Employment. Of course, the Department of Industry, as the sponsor Department for the car industry, would have been much involved in the negotiations.

/So

So my conclusion is that the difficulties of transferring regional policy responsibility to the Department of Employment are not quite as great as Mr. Tebbit might have suggested. But certainly a point worth considering further.

N.h.W.

31 August, 1985