

PA. 115 24/5  
 Prime Minister ① ~~25~~



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

Agree that a review of  
 regional policy should  
 go ahead, as proposed?

PRIME MINISTER

MES 16/4

REVIEW OF REGIONAL ECONOMIC POLICY

On ~~17~~ March my Ministerial Steering Group on Government Strategy (MISC 14) agreed, in discussion of a paper by the Central Policy Review Staff (MISC(82)2), to recommend to you that there should be a review of regional policy. I have subsequently provisionally agreed with the Ministers directly concerned what might be the arrangements and terms of reference for work by officials on this review. The purpose of this minute is to invite you to consider these proposals.

2. The CPRS argued, in paragraphs 7 and 8 of their paper, that there is a need for a wide-ranging and fundamental review of regional policies. The present policy of regional industrial assistance rests on the assumption that subsidies to capital investment in manufacturing industry are the most effective means of achieving the objectives of generating wealth and employment in local economies. They question whether this assumption still holds and whether it would be better to have separate policies for industrial assistance and for regional employment.

3. MISC 14 agreed that there was a strong case for a wide-ranging internal review with a view to changes, as necessary, in the next Parliament. We considered carefully whether there was a risk of misunderstanding of the Government's intentions when, as must be highly likely, it became publicly known that work had been put in hand. We were satisfied, however, that the effectiveness of the present regional policy, and the direction which it might take in future, is already a matter of public debate. As you know, the NEDC had a long and wide-ranging discussion of regional policy on 3 March on the basis of a paper by the TUC. That discussion, and the issues raised there and elsewhere, provide a ready answer as to why the Government should look at the future of regional policy.



We could also make clear that the aim would be to improve the effectiveness of regional economic policy, not to abandon it, and we could repeat our assurances on the importance which the Government attaches to stability in regional policy over the lifetime of the present Parliament. In any case I think that we can minimise possible difficulties about public presentation if we represent the exercise (should we be asked - I do not envisage that we should volunteer any announcement) as a joining together of departmental expertise to work on continuing issues. It should be understood from the outset that there is no question of publishing a report.

4. We suggest that, since the work would cover a wide range of economic issues, it should be led by a Treasury Deputy Secretary, Mr. Quinlan, and that the full members of his group should comprise representatives of the Treasury, the Departments of Industry, Employment and Environment, the Scottish, Welsh and Northern Ireland Offices and the CPRS, with other Departments with an interest receiving the main papers and attending meetings as necessary. I propose that the group should be free to draw upon outside experts on a discreet basis if that proved to be useful, but that there should be no systematic consultation with outside interests.

..... 5. After consulting the other Ministers directly concerned I propose that the terms of reference might be as in the attached draft. We have tried to strike a balance between the needs of calling for a wide-ranging review and of avoiding one so broad as to be unmanageable. The target of producing a substantive report by the end of 1982 is intended to ensure proper momentum in the work, but it is a stiff target. We shall be better able to judge how difficult it will be when the scope of the work becomes clearer. I suggest that officials should be asked to make an interim report about this before the summer recess.

6. Progress on work will need oversight by Ministers and you will wish to consider how this might best be arranged. I suggest that the most convenient solution might be to use the existing machinery of MISC 14 - the Ministerial members under my chairmanship are the



Secretaries of State for Education and Science, Environment, Industry and Employment - together with the Secretaries of State for Northern Ireland, Scotland and Wales with other Ministers attending as necessary. This group would discuss the report by officials in the first instance and then put it to you with their advice. You would then wish to consider how it should be handled further.

7. I should be grateful to know whether you endorse MISC 14's view that there should be a review of regional economic policy and, if so, whether you are content that it should be carried out on the lines proposed in this minute. If the exercise is to go ahead you may feel that it would be useful to inform all members of the Cabinet of its existence and objectives.

8. I am sending copies of this minute to the Secretaries of State for Education and Science, Northern Ireland, the Environment, Scotland, Wales, Industry and Employment, the Head of the CPRS and to Sir Robert Armstrong.

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

(G.H.)  
15 April 1982

REVIEW OF REGIONAL ECONOMIC POLICY

Draft Terms of Reference

1. Regional economic policy should be taken to compromise instruments and measures available to Government (central or local) to influence substantially the establishment, maintenance and growth of industrial and commercial activity and employment in favour of particular areas. Account should be taken of relevant European Community activities.
2. The review should concentrate upon Great Britain, but take into account Northern Ireland aspects as appropriate.
3. The review should derive from available evidence the main features of regional economic imbalance and the causes underlying it, and should identify the main objectives of regional economic policy against the background of the Government's general economic approach.
4. The review should analyse the nature of and interactions between current and planned activities of central Government, Government agencies and local authorities.
5. The review should examine the cost-effectiveness of these activities and other possible ways of supporting regional economic development in relation to the objectives identified at 3 above.
6. The review should make recommendations for any changes judged desirable, on the basis that in general these would take effect in the next Parliament. It should report progress and seek guidance as necessary from Ministers concerned, and should aim at producing a substantive report by the end of December 1982.

CONFIDENTIAL



file

B/c: Mr Verelker

Regiment  
M. Kelly

10 DOWNING STREET

From the Private Secretary

4 May, 1982

Review of Regional Economic Policy

The Prime Minister has now seen the Chancellor of the Exchequer's minute of 15 April proposing a review of regional economic policy.

The Prime Minister agrees that there should be such a review, to be substantially completed by the end of 1982, and to be carried out by a team of officials chaired by the Treasury. She is content with the terms of reference attached to the Chancellor's minute, and agrees that no announcement should be made about the review, and no report published, as proposed in the Chancellor's minute. Finally, she agrees that the review should be supervised by the Chancellor's Ministerial Steering Group on Government Strategy (Misc 14), augmented as necessary.

I am sending a copy of this letter to the Private Secretaries to the Secretaries of State for Education and Science, Northern Ireland, the Environment, Scotland, Wales, Industry and Employment, the Head of CPRS and to Sir Robert Armstrong.

M. C. SCHOLAR

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Peter Jenkins, Esq  
HM Treasury

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(2)

cg JV

Prime Minister

I think you have

2 pps

the Chancellor's

minute,

MCS 28/4

Ref. A08255

PRIME MINISTER

Agreed

Review of Regional Economic Policy

TPM

The Chancellor of the Exchequer minuted you on 15th April proposing:

terms of reference

- (i) That there should be a review of regional economic policy substantially completed by the end of 1982, with a view to changes, as necessary, in the next Parliament.
- (ii) That this should be an internal review carried out by a team of officials chaired by the Treasury.
- (iii) That no announcement should be made about the review and no report published but that, if asked, the exercise should be presented in a low-key way as a joining together of Departmental expertise to work on continuing issues.
- (iv) That the review should be supervised by the Chancellor's Ministerial Steering Group on Government Strategy (MISC 14), augmented as necessary.

2. All Departments concerned are agreed that it would be useful to have a review with the scope and timescale proposed. Any political risks and any risks of creating uncertainty in the minds of potential investors should be minimised by the proposal to have a "low-key" internal review.

3. On handling I agree that it would be useful to have the exercise supervised by MISC 14. This would avoid setting up new Ministerial machinery and thus contribute to the objective of maintaining a low profile; it would also be appropriate, since MISC 14 is designed to deal with longer-term issues which affect the work of many Departments. It would not be for MISC 14 to take decisions on the review. The Chancellor envisages merely that the Group would offer advice on the report when it is available. At that stage, in early 1983, you would no doubt want to have a discussion under your chairmanship, probably in E Committee.

4. Subject to your own views, I would see no reason to dissent from the Chancellor's proposals.

RA

ROBERT ARMSTRONG

28th April, 1982

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