



JF4114

CONFIDENTIAL

PRIME MINISTER

REGIONAL ECONOMIC POLICY

Following the completion of the second Report on Regional Policy which Nigel Lawson sent to you on 11 July, I had intended to circulate a paper to colleagues setting out my views on this Report. I have now decided not to do so at present, in view of your decision to postpone discussion of the Report until September.

2 There is, however, one point on which I believe action now would be helpful. The report proposes a new scheme to replace Regional Development Grants (RDGs) which could lead to savings of £100 to £150 million (or, in the longer term, as Nigel Lawson suggested in his letter to me of 27 July, of even more). An essential pre-requisite for achieving early expenditure savings is the introduction of legislation in this Session. It was agreed at Cabinet on 7 July that the most likely means of doing this would be to add the relevant 4-6 clauses to the Co-operative Development Agency Bill, which already has a place in the programme. I am asking my officials to continue to prepare legislation in accordance with the timetable envisaged and I am writing separately to Willie Whitelaw to seek his approval for the contingent drafting of the legislation by Parliamentary Counsel if necessary.

Prime Minister

Mr Parkinson continues to argue for adding 4-6 clauses to the Co-operative Development Agency Bill to provide for changes in the RDG scheme. As you know, the Chancellor takes the same view. This reports that he is continuing work on the preparation of this legislation.

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3/8



3 I should explain that the form of the legislation does not pre-empt decisions on the public expenditure savings we might achieve, the levels of grant, the number of tiers of regional assistance, or the shape and coverage of the Assisted Area Map. The proposals in the second Report and the variations suggested in Nigel Lawson's letter of 27 July and John Sparrow's letter of 19 July all require the same legislative changes. But failure to get ahead with drafting now - on a contingent basis - could delay implementation of the changes we are looking for (and the consequential public expenditure savings) by a full year.

4 I am sending copies of this minute to Willie Whitelaw, the Chancellor, George Younger, Nick Edwards, Jim Prior, John Biffen, Patrick Jenkin, Norman Tebbit, John Wakeham and Sir Robert Armstrong.

PP CECIL PARKINSON

2 August 1983

(Approved by the Secretary of State and signed in his absence)

Department of Trade and Industry
Ashdown House
123 Victoria Street
London SW1E 6RB

REGIONAL For: Review
HHS





10 DOWNING STREET

From the Private Secretary

12 August 1983

This is just to record that the Prime Minister has seen and noted your Secretary of State's minute of 2 August about regional economic policy.

Timothy Flesher

Jonathan Spencer, Esq.,
Department of Trade and Industry.

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