

Y SWYDDFA GYMREIG

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)

Oddi wrth Ysgrifennydd Gwladol Cymru



WELSH OFFICE

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)

From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

CONFIDENTIAL

5th August 1983

De Cech

REVIEW OF REGIONAL POLICY: ANSON REPORT

We are due to discuss the Anson report in September, and I am very anxious to be present at that meeting. Nevertheless, in view of the correspondence so far, there are one or two comments I should like to make now.

I agree that we should keep open the option of legislation this Session, but I am anxious that we should fully discuss the merits of the recommendations in the Anson report before forming any view on future expenditure levels. Our primary aim should be to find a regime that is effective and stable. I do not dispute the desirability of making public expenditure savings. My colleagues will remember that it was I who argued as strongly as any for reducing the subsidy to highly capital intensive projects such as Sullum Voe. But I am sure that we should give a fair hearing to the proposals in the report to making regional policy more effective, (as well as those for reshaping the RDG/SFA scheme). I refer particularly to the recommendations for improving incentives to service and innovative industries in the regions. These proposals are relatively speaking not very costly and are highly relevant to the aim of improving the performance and self-reliance of regional economies; and I believe they might do so without seriously distorting the national economy. We are, of course, committed to maintaining "an effective regional policy", since we all see this as essential to ease the process of change and encourage new businesses in areas which have been dependent on declining industries. Such measures could help in this aim.

/I am unhappy

The Rt Hon Cecil Parkinson MP
Secretary of State for Trade and Industry



I am unhappy about the argument that it is somehow a bad thing to encourage capital-intensive firms in the regions and a good thing to encourage labour-intensive firms. We have consistently emphasised the need to improve national productivity and competitiveness, and this goes for service as well as manufacturing industry. I am therefore not clear why it is now being suggested that we should seek to aid firms in the Assisted Areas in a way which actively encourages them to increase their labour costs. I wonder what kind of labour-intensive firms are capable of standing up to competition and providing a secure basis for a long term improvement of employment in the regions, and I should be interested to hear the comments of those who support this suggestion. For my part, I think it more likely that such a policy would encourage the kind of projects or enterprises which do not compete effectively as to price or quality; these are precisely the sort of activities with which the disadvantaged regions are already afflicted.

I am also concerned about the effect on possible inward investors. The changes now proposed in the Anson report will themselves be significant and difficult to present effectively, since the scheme will be more complicated than the present one. I must say I am reluctant to compound this by shifting towards job-related grants to the degree suggested by John Sparrow. To signal a change of this kind might adversely affect inward investment and could lead to many potential overseas investors failing to enquire further about the incentives and to take their projects to other European countries. Our present package enables us to offer modern factories in pleasant surroundings to small and medium sized high technology firms looking for significant financial assistance with the capital costs of setting up a modern and competitive operation. Unless these companies can immediately see how much grant towards capital costs they can rely on (and 10% I think will be too low), they may well lose interest in the UK as a possible location. That would diminish the effect of regional policy and indeed it would be the national economy not just the regions that would suffer. I fully share George's concern about the assertion in Nigel Lawson's letter that regional policy has questionable benefits and may even be counter-productive to the national effort. The first report of the interdepartmental committee, whose conclusions and recommendations we largely endorsed in February and March, was clear that there remained a strong general case for a substantial regional policy and no evidence could be adduced to substantiate the arguments that national economic objectives were being compromised or damaged. I do not believe that we should now be deflected into further discussion of the underlying arguments.

/I am sending

Reg Pol,
Review,
pt 5

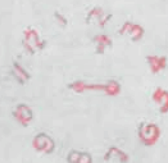


3

I am sending a copy of this letter to the Prime Minister, the Chancellor of the Exchequer, the Lord President, the Lord Privy Seal, the Secretaries of State for Scotland, Northern Ireland, the Environment and Employment, and to Sir Robert Armstrong.

John
Nin

15 AUG 1993



ISC NO

Reg. Pol.



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5186
SWITCHBOARD 01-215 7877

*From the Minister of State
for Industry*

Norman Lamont MP

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales
Welsh Office
Gwydyr House
Whitehall
London SW1

DA
26/8

26 August 1983

Dear Nick

Thank you for your letter of 5 August to Cecil Parkinson.

Nigel Lawson, George Younger and John Sparrow have also commented on particular aspects of the Anson recommendations. I agree that until the merits of all of the proposals have been considered and the report fully discussed in September we cannot reach any conclusions on these matters.

I am copying this letter to recipients of yours.

NORMAN LAMONT

*Yours
Al*

Regional Hl : Review of Pt 5

26 AUG 1985

