

FROM: MINISTER OF STATE



CONFIDENTIAL
DEPARTMENT OF ECONOMIC DEVELOPMENT

NETHERLEIGH
MASSEY AVENUE
BELFAST
BT4 2JP

Telephone 63244

The Rt Hon Cecil Parkinson MP
Secretary of State
Department of Industry and Trade
Ashdown House
123 Victoria Street
LONDON SW1

Wm
18/8

16 August 1983

Dear Mr Parkinson

I have read all the correspondence on the Anson Report which has stemmed from Nigel Lawson's letter to you of 27 July. While the Report concentrates upon the system of regional incentives operated in GB, it goes without saying that whatever decisions are taken in September will also have implications for the Northern Ireland system of incentives. With this in mind I would like to give you an early NI reaction to the Report's main proposals.

Whilst I would agree that regional policy should have regard to the disadvantages in attracting and establishing a disproportionate amount of capital-intensive industry - and indeed we have taken steps to put a cap on the amount of grant available - we should not lose sight of the fact that the Western World will not generally compete in labour-intensive ones with the developing world. I believe therefore that any move to employment-related incentives should proceed with some caution. In this context I agree very much with the views expressed by Nick Edwards; I see little benefit in establishing in the regions labour-intensive companies which may, by definition, be more at risk. The accent should always be on potential viability and the likely durability of whatever jobs are created.

Secondly, I very much question the wisdom of dropping automatic grant for replacement investment. British industry since the war has failed to re-invest sufficiently: Regional Development Grants (or its NI counterpart standard Capital Grants) encourages at least those in the regions to do so and in Northern Ireland, where energy and transport costs are relatively high, these grants are also a continuing way to help redress the Province's cost disadvantages.

I would want to continue to encourage existing companies in established industries to re-equip and if possible to move up market, thereby securing a competitive future for themselves and their workforce.

Finally, I must say that I fully share the concern of Nick Edwards and George Younger about comments made by Nigel Lawson and by John Sparrow on the effectiveness of regional policy. Whilst I agree that we should ensure that we use the resources available for regional policy as cost-effectively as possible, we

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must also show that Government is fully committed to the continuation of a strong regional policy, and that it can be applied effectively. Regional policy is crucial in achieving the industrial regeneration of areas such as Northern Ireland. The important thing is to have effective instruments which will not only help established industry but also help nurture the newer industries, and attract the inward investment, which is needed to broaden the regions' over-narrow industrial base, in competition with other countries.

I have also seen Norman Lamont's letter of 5 August to George Younger about the handling of applications for selective assistance involving mobile investment. While not wishing to anticipate the outcome of further discussions on this front, I would wish to ensure that whatever arrangements are finally agreed in GB continue to recognise Northern Ireland's separate institutional arrangements in the administration of its selective assistance scheme.

I am copying this letter to Nigel Lawson and to the other recipients of his letter.

Yours sincerely
Adam Butler

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[Approved by the Minister and
signed in his absence]

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Research paper: Review
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Secretary of State for Trade and Industry

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

TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

13 September 1983

The Rt Hon Adam Butler MP
Minister of State
Northern Ireland Office
Netherleigh
Massey Avenue
BELFAST
BT4 2JP

NBPM

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Dear Adam,

Thank you for your letter of 16 August concerning the review of regional economic policy. When we come to discuss the Anson Report in September, we shall need to take into account the views you have expressed and the implications which changes in the structure of assistance in GB may have for Northern Ireland.

2 On the particular question of the handling of applications for selective assistance for mobile investment, raised in Norman Lamont's letter of 5 August to which you referred, I agree that the arrangements applicable in Northern Ireland should be recognised as separate and not affected by the suggestions which Norman Lamont has put forward.

3 I am sending a copy of this letter to the recipients of yours.

Yours
Earl
Leah

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Leonard Mica: Mica 185

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