



W No
 Prime Minister ②
 To note Mr Tebbit's
 views

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The Rt Hon Cecil Parkinson MP
 Secretary of State
 Department of Trade and Industry
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4. October 1983

D Cecil,

REGIONAL POLICY

I thought it might be helpful, in advance of our discussion in E(A), to let you and other colleagues know my initial reaction to the main proposals we shall have before us.

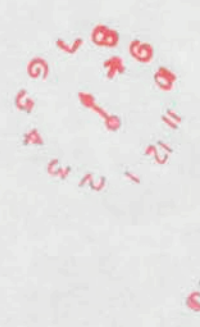
I agree that we should endorse the broad framework of a joint job and capital grant scheme of regional assistance as proposed in the officials' second report. I welcome the idea of an early White Paper along the lines suggested. We should seek views on a wide range of options on the levels of grant - including that suggested by CPRS - before reaching decisions.

The proposed new framework would help to correct the bias of the present Scheme towards capital intensive manufacturing industry. But we should recognise that so long as we remain constrained by the present EC limits - fixed as long ago as 1979 - the extent of the improvement will in practice be pretty limited. The simple job-grant mentioned as a further possibility by the Chief Secretary in his paper has attractions, but goes too far in the other direction. In my view, therefore, we must concentrate on finding the best combination of job and capital grant (with cost-per-job ceiling) within the present EC limits.

I also welcome the proposal to extend the main Scheme to service activities. Many new jobs capable of being steered to Assisted Areas will in future arise in this sector. It should also be noted that the EC limits do not apply to service sector projects. I think we could extend the Scheme to quite

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a wide range of such activities without incurring any greater deadweight than already arises in manufacturing. The White Paper should therefore seek views on this also.

I remain concerned at the way in which whilst spending on regional policy has declined in recent years that on urban aid has increased and I believe that the volume of urban aid, the criteria on which it is given and its effectiveness in promoting economic growth should be examined no less critically than we examine regional aid.

I also agree the proposal in paragraph 10 of your paper that selective assistance should in future be based upon the net creation of jobs by the group or company concerned on a national basis. I see little point in spending public money simply to re-locate jobs as distinct from creating jobs.

I further agree that we should not direct the savings from the new Scheme back into regional assistance by way of premium rates of support for innovation, new firms etc.

Finally, I agree with you that we should give officials clear guidance as to the criteria for drawing up a revised Assisted Area map. I would only comment that the more factors we explicitly embody the longer it may take to complete this critical part of the whole exercise and the more scope we shall allow for arguments about our final decisions.

I am copying this letter to the Prime Minister, to other members of E(A) and to Sir Robert Armstrong.

J. Norman