

MR TURNBULL

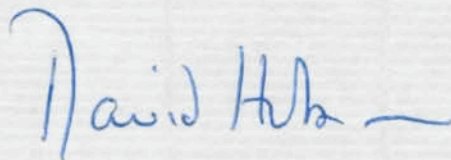
3 August 1984

INVESTMENT IN THE REGIONS

1. A great deal of money is being spent on investments in the Regions, often not very profitably. As with the National Enterprise Board, (now British Technology Group), the Scottish and Welsh Development Agencies have built up a substantial portfolio of investments. Greater pressure to encourage disposal of them is desirable, to avoid ever-increasing investment of public funds in an assorted portfolio.
2. The portfolios of factory buildings in the agencies could also do with a good shake out to introduce private capital. As a first step, the agencies might be encouraged to spend on new factories no more than they can release by the sale of existing units.
3. Performance in Northern Ireland has been particularly poor since De Lorean and Lear Fan have caused the loss of some £120 million. £76.92 million was invested by the time receivers were appointed in De Lorean and £1.95 million was paid in training grants. A few million pounds may be recovered in the receivership, but it looks as if £70 million was lost. The PAC has investigated this affair and has made many criticisms.
4. Lear Fan is a more recent story. It seems that the total committed to the project is \$83 million or, say, £55 million. The figure is not clear in the accounts of the Industrial Development Board or the Northern Ireland Appropriation accounts. Indeed, these accounts show as a 'repayment', £9 million plus interest of £1 million (£10 million). This is an amount which HMG 'released the company from its obligation to repay' under the September 1982 Financial Agreement for Lear Fan. Further 'repayments' from Lear Fan totalled over £9 million. These were loans to the company converted into grants. These grants represented employment grants 'received by the borrower in anticipation of the creation of 1,250 jobs in Northern Ireland'. The factory is now closed and there are no jobs.

5. It would be much better for a failure of this kind to be acknowledged frankly rather than covered up in the accounts by 'paper transactions' of this kind. The Industrial Development Board of Northern Ireland should set an example by publishing accounts fully up to commercial standards.

6. Greater care, better monitoring and clearer reporting of performance would all help to get better value for money out of these regional programmes. Too much has been spent, often not wisely; it has not been well monitored. More disposal of buildings and investments could be built into the figures for the PESC round.

A handwritten signature in blue ink that reads "David Hobson" followed by a horizontal flourish.

DAVID HOBSON