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CGBG



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Secretary of State for Trade and Industry

PS/

CONFIDENTIAL

13 January 1987

Jill Rutter  
Private Secretary to the  
Chief Secretary to the Treasury  
HM Treasury  
Parliament Street  
LONDON  
SW1P 3AG

*Dear Jill,*

RDGs

As you know, the subject for the Opposition Day Debate tomorrow has now been changed. It will therefore not be possible for the Chancellor to announce the two months delay in payment under the RDG II Scheme as previously planned.

... My Secretary of State will therefore make the announcement my means of a written PQ. I attach a copy of the Answer he intends to give tomorrow. This has been cleared with Treasury officials: if you or other copy recipients have any comments please let me know as soon as possible tomorrow morning.

... I also attach Question and Answer briefing for use following the announcement.

I am copying this letter and attachments to David Norgrove (No.10), Robert Gordon (Scottish Office), Colin Williams (Welsh Office), and Murdo MacLean (Chief Whip's office)

*Yours ever,  
Michael*

MICHAEL GILBERTSON  
Private Secretary

JF2ABH

Q. WHAT ARE THE  
GOVERNMENT'S  
PLANS FOR  
EXPENDITURE ON  
INCENTIVES TO  
INDUSTRY IN THE  
ASSISTED AREAS  
IN 1987/88?

A. The present Public Expenditure Provision for Regional Incentives in 1987-88 is £419m, an increase of 9 per cent on the provision contained in last year's Public Expenditure White Paper. As a result of a greater than expected transitional bulge in payments of RDG produced by the overlap of the old RDG I and new RDG II Schemes, it has been decided to spread out the flow of payments under RDG II. Payment of grant on new applications will be made two months after a claim has been approved. This will help to ensure that expenditure on regional incentives is contained within 1987-88 public expenditure plans.

There will be no change to the arrangements for grants under the old RDG scheme, which will continue to be paid four months after claims have been approved.

RDG: WAITING PERIOD ON PAYMENTS

QUESTION AND ANSWER BRIEF

1. 2 month Waiting Period

Q1 How much will be saved by the 2 month waiting period for RDG II payments?

A1 Around £10-£12m will be deferred from 1987-88 into 1988-89 as a result of this measure. [If pressed These are GB figures. They are made up of £5-6m for DTI, £4m from the Scottish Office and £2m for the Welsh Office. But the estimates cannot be precise.]

Q2 How long will delay in payments last?

A2 No decision made yet. Depends on public expenditure position. The situation will be kept under regular review.

Q3 Is delay in payments simply stoking up problems for the future?

A3 No. It is true that this measure will only defer expenditure, not reduce it absolutely. But it is intended to deal with the temporary problem of the bulge in total RDG payments as the old RDG scheme runs down.

Q4 Will the waiting period apply to all applicants?

A4 It will not apply to existing applications or to claims on projects which have been wholly carried out.

Q5 Will the waiting period for RDG II payments not damage small firms particularly?

A5 There is little evidence of hardship having been caused by the existing 4 month waiting period for payments of old RDGs. The modest 2 month waiting period for new RDGs is unlikely to cause problems, particularly as firms should continue to be able to borrow from their banks against a letter from HMG approving a claim.

Q6 How will the delay in payments operate?

A6 Claims will be dealt with in the normal way until the relevant Department (DTI, Scottish Office, Welsh Office) has decided that grant is payable. The Department will then advise the claimant in writing that payment will be made two months later. Full details will be sent out in a Notice for Applicants.

## 2. PROVISION FOR REGIONAL INCENTIVES

Q7 Already a big reduction in spending on regional incentives?

A7 Provision in 1987-88 is lower than in recent years because of our 1984 changes which were designed to make regional incentives much more cost effective in creating jobs. Very large sums have been spent on the old RDG scheme which was solely linked with capital expenditure. But provision for regional incentives in 1987-88 is 9% up on previous plans and it is intended to maintain expenditure at this level for the next three years.

Q8 Very sharp reduction in provision for regional incentives in 1987-88 compared with the current year?

A8 The Government has accommodated a large increase in expenditure on regional incentives in the current year resulting from the bulge in claims for old RDG under the transitional arrangements from the old to the new scheme. Though the bulge will continue into 1987-88, payments under the old scheme are now running down: future expenditure will be mainly on the new RDG scheme and on Regional Selective Assistance, both of which are more cost effective in generating jobs.

### 3. ERDF/NORTH/SOUTH DIVIDE

Q9 Regional Development Programme (ERDF Report) an indictment of the Government's record in the Regions.

A9 Report given impressive list of Government policies - industrial, regional, employment, infrastructure - which demonstrate the Government commitment to combatting problems of the regions. Report makes clear that the problems it describes are long standing and reflect past decline. ERDF receipts (a total of £1.4 billion since 1979) make substantial contribution and help Government find room in plans for worthwhile projects.

Q10 North/South Divide. Government's regional policy inadequate given current levels of unemployment and differences between north and south.

A10 1984 review of regional policy took full account of employment patterns throughout the country. Current Regional Assistance map for Great Britain shows assisted areas as being overwhelmingly concentrated in the North and West of England, Scotland and Wales. Important also to remember that the regional policy is just one of a range of Government programmes which help generate employment and tackle problems of dereliction and industrial decline eg

\* the Urban Development Grant (since 1982 grant has been paid to 200 projects; £423 million private funds have been levered for £100 million of public funding; and 22,800 jobs have been supported).

\* the Urban Development Corporations (2 at present and 5 more planned): intended to emulate the success of the London Docklands Corporation (which in 6 years of existence has levered £1,466 million of private funds - 6.4 times the public input to its work, and has created 8,000 permanent and 500-2,000 temporary jobs and preserved 1,400 jobs);

\* 25 enterprise zones and 6 freeports.