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CONFIDENTIAL

The Rt Hon Norman Tebbit MP
Secretary of State for Trade and Industry
1 Victoria Street
LONDON
SW1H 0ET

18 November 1983

Dear Secretary of State,

FUTURE REGIONAL INDUSTRIAL POLICY: DRAFT WHITE PAPER

Thank you for copying to me your minute of 14 November inviting comments on the draft White Paper.

I am broadly content with the draft, which I think forms a good basis for consultation on the outstanding issues. As you say, the delay imposed on us by the need to await the data for the map review allows the consultation to be seen as genuine, and this should be helpful in putting across our policy.

I do, however, have difficulty with some points as follows:

- with ATD
- (1) I am unhappy with the statement in the penultimate sentence of paragraph 2 that the jobs created by regional policy "would otherwise have been available elsewhere in the country". I think it is wrong to talk of regional policy in terms of diverting existing jobs from the non-assisted areas to the assisted areas. More new jobs in Scotland resulting from regional incentives have been associated with inward investment or the growth of indigenous firms rather than with movements from other parts of the UK. To say that in the absence of regional policy these would have been available elsewhere is to make a number of assumptions about how the economy would have responded, all of which are very much open to question.
 - (2) Indeed, more generally, I think the White Paper fails to place sufficient emphasis on the importance of regional incentives in attracting inward investors and of our incentives being competitive internationally. This could be remedied to some extent by the following amendments to the draft:-

Conflicts directly
with PU suggestion.

- (i) Paragraph 11, amend the first sentence to read "As well as influencing the distribution of industry within the country, regional industrial incentives also enable the United Kingdom to compete effectively for internationally mobile investment which has made notable contributions to the economies of particular regions."
- (ii) Paragraph 16, amend the first sentence to read "The Government believe that regional industrial incentives still have an important role to play in influencing the location of new economic development and recognise the need for the United Kingdom to be able to compete effectively for internationally mobile investments."
- (3) The square-bracketed sentence at the end of paragraph 18 could be read as encouraging local authorities (whether or not in the assisted areas) to pursue an independent role which might not necessarily be consistent with Government policies. I am quite clear that it should be omitted.
- (4) In paragraph 29, I would certainly wish the square-bracketed sentence to be deleted. Later on in the paragraph the words "The Government believe that present grant levels exceed those sufficient for this purpose" prejudice decisions on one element in the proposed new RDG Scheme. I would prefer the sentence in question simply to say "The Government would welcome views".
- (5) I am particularly concerned about the practical consequences of the proposal in paragraph 30 (for which I can find no authority in the E(A) minutes) to exclude from regional assistance those relocation projects where there is no increase in the number of net jobs. (I assume this means no net increase in the number of jobs.) While I agree that RSA should not be used simply to transfer an existing production facility from one area to another, the proposal as it stands would exclude relocation of jobs in the service sector and would prevent assistance being given to manufacturing projects involving necessary rationalisation and restructuring and cases of this sort, though not frequent, do arise from time to time. It is, I think, relevant that you have, with the endorsement of the Prime Minister, agreed in the case of Fisher

Controls to use national selective assistance for precisely this purpose, involving concentration at Rochester (a non-Assisted Area) of manufacture formerly conducted at both Rochester and Cowdenbeath (an Assisted Area) with an overall reduction in employment. I would suggest, therefore, that the passage in question should read "and to exclude from assistance those relocation projects in manufacturing, not involving restructuring and rationalisation of the enterprise, where there is no net increase in the number of jobs".

This would open
the floodgates since
all relocation
involves
restructuring

(6)

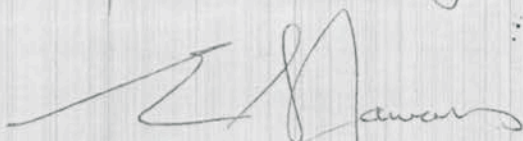
I am also unhappy about the implication in paragraph 32 about the dependence of assisted areas on branch plants and consequential vulnerability to closure. So far as Scotland is concerned there is no evidence that branch plants or plants of multi-national companies have a greater tendency to close than locally-owned companies. I think that paragraph 32 should be amended to read:-

There are indications that the Assisted Areas suffer from a poor innovation record (especially when compared to the South East) and from an industrial milieu which is less conducive to new firm formation."

My officials are writing to yours with a note of some more detailed points.

I am copying this letter to the Prime Minister and other recipients of your minute.

Yours sincerely,



Approved by the Secretary of State
and signed in his absence

18 NOV 1967

