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PRIME MINISTER

WHITE PAPER ON REGIONAL POLICY

The Secretary of State for Trade and Industry has re-circulated his draft White Paper. For the most part he has taken on board the comments you made. In only two areas did he not feel able to accept - the suggestion to tighten up the concept of modernisation and the suggestion that replacement investment should be phased out earlier.

On the former, he feels that the cost per job limit will ensure that most modernisation projects are in practice excluded. On the latter, he has provided a satisfactory explanation as to why the change on replacement investment should be made at the same time as the rest.

One of the other disputed points was the suggestion in paragraph 34 that selective assistance should be payable for re-location projects provided re-structuring on rationalisation was involved. It was noted that this would make virtually all applications eligible. The formula adopted is that suggested by the Welsh, "To exclude from Regional Selective Assistance those re-location projects where there is no increase in the number of net jobs."

Policy Unit now consider the White Paper is in good shape. Agree it be published on 14 December?

*Yes* *AT*

1 December 1983

cc: Mr. Owen

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