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CONFIDENTIAL

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

2 December 1983

Dear Secretary of State,

FUTURE REGIONAL INDUSTRIAL POLICY: DRAFT WHITE PAPER

Thank you for copying to me your minute of 30 November enclosing your final draft of the White Paper. I am concerned that my proposal to amend the wording in paragraph 34, relating to the availability of assistance when a firm proposes a local project in an assisted area without any net increase in jobs, has not been taken up and that colleagues' comments thereon suggest that my purpose is not fully understood.

I accept the proposition that regional assistance should not be used simply to shunt production facilities around the country at the taxpayers' expense and without benefit to the economy. My amendment was intended to achieve this but without excluding, as the original formulation seemed to do, two special cases which arise when a firm has existing factories in both assisted and non-assisted areas:-

- a. Rationalisation involving substantial new investment in modernised equipment or new product, in the plant in the non-assisted area and radical reduction in employment at, or closure of, the plant in the assisted area (this is the classic case of retreat from the branch factory in times of recession). I would wish to see regional assistance available to influence the firm towards retaining a more substantial measure of employment in the assisted area.
- b. In a multi-plant situation, where concentration to a single location is proposed and regional assistance could influence the firm's choice of the location in which to base its concentration.

I have had recent examples where regional assistance has been used in both types of case, to good effect in terms not only of preserving regional employment, but also of enabling the firms in question to invest more than they could otherwise have afforded on a higher and more up-to-date level of productive capacity and with an enhanced expectation of viability. Nationally, employment is higher than it would otherwise have been, as is national

productive capacity and competitiveness. I also note that selective assistance under section 8 of the 1982 Act would remain available for the purpose which you propose to exclude from regional assistance and that the effect is therefore to concentrate exclusively in DTI powers at present available to me and to Nick Edwards.

I appreciate that Nick Edwards' wording goes some way towards meeting my point, but even it leaves a presumption that regional assistance will not be available in such highly desirable applications, thus deterring prospective applicants and sowing the seeds of inter-Departmental dissent and delay when a specific case comes forward. I therefore propose the following, which seems to me to meet your intention and the support expressed for it by other colleagues while avoiding the exclusion, perhaps unintentionally, of cases of the kind I have illustrated:-

Para 34, fourth sentence, to read:-

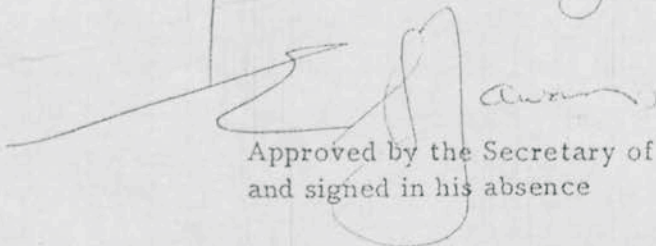
"The Government propose to provide for greater parity of treatment between the manufacturing and service sectors; and to exclude from assistance those relocation projects which simply transfer existing facilities without any net increase in employment."

This formula would still provide a clear statement of our intent to tighten up on the availability of selective assistance in this area and, in deference to my colleagues' comments, no longer reflects my own belief that service industry should be treated more favourably. It would ensure that assistance was used only in cases where there was some demonstrable overall benefit and would offer officials an unequivocal instruction in drawing up the subsequent operational Guidelines.

I am afraid that I consider the principle of Regional Policy involved here to be of sufficient importance to persuade me to object to publication of the White Paper in its present form. If colleagues find my alternative proposal unattractive, I would welcome early collective discussion of the issues, even at the expense of delaying publication of the White Paper.

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

Yours sincerely



Approved by the Secretary of State
and signed in his absence

Review for
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116

DEC 1983





JF5053
Secretary of State for Trade and Industry

CCNO

NBPM AT 7/12

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7 December 1983

CONFIDENTIAL

The Rt Hon George Younger MP
Secretary of State for Scotland
Scottish Office
Dover House
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LONDON
SW1A 2AU

D. George,

FUTURE REGIONAL INDUSTRIAL POLICY : DRAFT WHITE PAPER

We spoke today about your letter to me of 2 December.

2 For the purposes of the White Paper we agreed on a compromise of inserting the word "normally" before the words "to exclude from regional selective assistance those re-location projects where there is no net increase in jobs" in paragraph 34 of the draft White Paper attached to my minute of 30 November to the Prime Minister.

3 Our agreement was on the understanding that we both regarded this outcome as neutral in relation to the issues raised in your letter — *They can be settled later - and I do not think there is much between us.*

4 I am copying this letter to E(A) colleagues and Sir Robert Armstrong.

NORMAN TEBBIT

cc NO

NRPm
AT 12/12



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From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

12 December 1983

Dear Norman

FUTURE REGIONAL INDUSTRIAL POLICY: DRAFT WHITE PAPER

I have seen your letter of today and George Younger's of 2 December on this subject.

This is simply to confirm that, on the understanding that the compromise you have reached with George is neutral and that the issues he has raised can be settled later, I am content with the rewording you propose.

I am copying this letter to E(A) colleagues and Sir Robert Armstrong.

Yours ever

Norman

Rt Hon Norman Tebbit MP
Secretary of State for Trade and Industry