



JH 351

PS/ Secretary of State for Trade and Industry

David Heyhoe Esq
Private Secretary to
the Lord Privy Seal
Privy Council Office
Whitehall
London SW1

Dear David,

STATEMENT: REGIONAL POLICY WHITE PAPER

When I wrote to you on Friday, I said that I would circulate the statement which my Secretary of State intends to make on Tuesday 13 December, on regional policy, as soon as I could. I am therefore now circulating a copy of that statement. As well as copying this letter and its attachment to those who received my letter of 9 December, I am also sending it to the Private Secretaries of all those who serve on E(A) and to Richard Hatfield in the Cabinet Office.

Yours ever

Colin McCarthy

M C McCARTHY
Private Secretary

Total DTI PM content

AT 13/12

DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5422

GTN 215

(Switchboard) 215 7877

12 December 1983

Prime Minister ②

To note.

AT 12/12

mt

1 With permission, Mr Speaker, I should like to make a statement on the Government's review of regional economic policy.

2 I have today laid before the House a White Paper entitled "Regional Industrial Development", and my Department will publish shortly a factual background paper on the effectiveness of regional policy and other regional issues.

3 The Government remain firmly committed to an effective regional policy. Although the economic case for regional industrial policy today is not clear cut, and the economic costs of such policies must be set against the benefits, there remains a social case for regional industrial policy to reduce regional imbalances in employment opportunities.

4 The Government believe that there is scope to increase the effectiveness of regional policy and to achieve better value for money in the regions with less adverse effects on the rest of the country.

5 The White Paper sets out a new structure for regional industrial incentives involving major changes to the regional development grants scheme. At present RDGs over-concentrate on capital intensive projects and on manufacturing industries. In future we propose RDGs should be aimed at job creation.

6 The new RDG scheme will be widened in scope to cover parts

of the service sector in addition to manufacturing. However, RDG will in future be payable only towards projects which provide or modernize capacity and simple replacement investment will not qualify for RDG.

7 Grant will be payable as a proportion of capital expenditure or as an amount for each new job created by a project, whichever is the more advantageous to the investor, but, where grant is paid in respect of capital expenditure, it will be limited by a cost per job ceiling. For the sake of simplicity small firms will be exempt from this limit. These changes shift the payment of automatic grant assistance to projects which create jobs.

8 In addition the importance of selective assistance relative to RDGs will be increased; and re-location projects offering no net increase in jobs will not normally be eligible for regional selective assistance.

9 Industry attaches great importance to the automatic and predictable nature of the RDG scheme. Therefore grant will continue to be paid at standard rates and by reference to published criteria. To avoid disruption or uncertainty there will be a twelve month transition period from the introduction of the scheme before the changes take full effect. For projects which have already been offered selective assistance, RDG will continue to be paid under the old rules, not the new. And for projects for which application has already been made, or is made before 31 January 1984, and where an offer is made before changes to the legislation become effective, the old rules, not the new, will apply.

10 The British Technology Group's regional investment role - which does not relate to its primary task of encouraging the transfer of technology - will be discontinued.

11 The White Paper invites views on a number of issues. In respect of grant, which activities should qualify for RDG, what rates of grant should be, and what the balance should be between automatic and selective assistance? On the Assisted Area map, views are invited on both the criteria for designation and on map coverage. The Government also welcome views on whether special measures should be taken in the Assisted Areas to encourage innovation and new firm formation. I would welcome written submissions, before the end of May 1984, in order that they may be considered before decisions are reached.

12 Consultation has its price. A number of important decisions about regional policy will remain to be taken until after the consultation period. In particular, it is not possible now to announce the future geographical coverage of regional assistance or the amount of future regional expenditure. The new map when it is published will be based upon more up to date data concerning travel to work areas now becoming available from the census returns. The Government will introduce legislation as soon as possible to provide for the new scheme of RDGs outlined in the White Paper. Once the consultation process is complete, and the remaining decisions take, the Government propose to lay the necessary orders, implementing all the changes simultaneously in Autumn 1984.

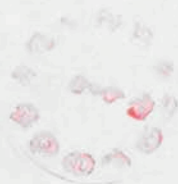
13 In short the new policy will ease the present unjustified bias against service industries, it will end the unjustified payment of expensive aid to projects which create few jobs in the assisted areas; it will minimise mere job shifting at taxpayers' expense; and it will concentrate on better value for money in job creation in the areas of greatest need.

14 I am confident the new framework will provide a firm basis for a more cost effective regional industrial policy, benefiting the assisted areas more effectively with less adverse effects elsewhere.

December 1983

Reg Por Review Pt 6

12 DEC 1988





Secretary of State for Industry

WITH PERMISSION, MR SPEAKER, I SHOULD LIKE TO MAKE A STATEMENT ON THE GOVERNMENT'S REVIEW OF REGIONAL ECONOMIC POLICY.

I HAVE TODAY LAID BEFORE THE HOUSE A WHITE PAPER ENTITLED "REGIONAL INDUSTRIAL DEVELOPMENT", AND MY DEPARTMENT WILL PUBLISH SHORTLY A FACTUAL BACKGROUND PAPER ON THE EFFECTIVENESS OF REGIONAL POLICY AND OTHER REGIONAL ISSUES.

File



Secretary of State for Industry

THE GOVERNMENT REMAIN FIRMLY COMMITTED TO AN EFFECTIVE REGIONAL POLICY.

ALTHOUGH THE ECONOMIC CASE FOR REGIONAL INDUSTRIAL POLICY TODAY IS NOT CLEAR CUT, AND THE ECONOMIC COSTS OF SUCH POLICIES MUST BE SET AGAINST THE BENEFITS, THERE REMAINS A SOCIAL CASE FOR REGIONAL INDUSTRIAL POLICY TO REDUCE REGIONAL IMBALANCES IN EMPLOYMENT OPPORTUNITIES.

THE GOVERNMENT BELIEVE THAT THERE IS SCOPE TO INCREASE THE EFFECTIVENESS OF REGIONAL POLICY AND TO ACHIEVE BETTER VALUE FOR MONEY IN THE REGIONS WITH LESS ADVERSE EFFECTS ON THE ECONOMY AS A WHOLE.



Secretary of State for Industry

HOWEVER, RDG WILL IN FUTURE BE PAYABLE ONLY TOWARDS PROJECTS WHICH PROVIDE OR MODERNISE CAPACITY AND SIMPLE REPLACEMENT INVESTMENT WILL NOT QUALIFY FOR RDG.

GRANT WILL BE PAYABLE AS A PROPORTION OF CAPITAL EXPENDITURE, OR AS AN AMOUNT FOR EACH NEW JOB CREATED BY A PROJECT, WHICHEVER IS THE MORE ADVANTAGEOUS TO THE INVESTOR; BUT, WHERE GRANT IS PAID IN RESPECT OF CAPITAL EXPENDITURE, IT WILL BE LIMITED BY A COST PER JOB CEILING.



Secretary of State for Industry

THE WHITE PAPER SETS OUT A NEW STRUCTURE FOR REGIONAL INDUSTRIAL INCENTIVES INVOLVING MAJOR CHANGES TO THE REGIONAL DEVELOPMENT GRANTS SCHEME.

AT PRESENT RDGS OVER-CONCENTRATE ON CAPITAL INTENSIVE PROJECTS AND ON MANUFACTURING INDUSTRIES.

IN FUTURE WE PROPOSE RDGS SHOULD BE AIMED MORE PRECISELY AT JOB CREATION.

THE NEW RDG SCHEME WILL BE WIDENED IN SCOPE TO COVER PARTS OF THE SERVICE SECTOR IN ADDITION TO MANUFACTURING.



Secretary of State for Industry

FOR THE SAKE OF SIMPLICITY SMALL FIRMS WILL BE EXEMPT FROM THIS LIMIT.

THESE CHANGES SHIFT THE PAYMENT OF AUTOMATIC GRANT ASSISTANCE TO PROJECTS WHICH CREATE JOBS.

IN ADDITION THE IMPORTANCE OF SELECTIVE ASSISTANCE RELATIVE TO RDGs WILL BE INCREASED; AND RE-LOCATION PROJECTS WHICH OFFER NO NET INCREASE IN JOBS WILL NOT NORMALLY BE ELIGIBLE FOR REGIONAL SELECTIVE ASSISTANCE.

5



Secretary of State for Industry

INDUSTRY ATTACHES GREAT IMPORTANCE TO THE AUTOMATIC AND PREDICTABLE NATURE OF THE RDG SCHEME.

THEREFORE GRANT WILL CONTINUE TO BE PAID AT STANDARD RATES AND BY REFERENCE TO PUBLISHED CRITERIA.

TO AVOID DISRUPTION OR UNCERTAINTY ARISING FROM THESE CHANGES THERE WILL BE A TWELVE MONTH TRANSITION PERIOD FROM THE INTRODUCTION OF THE SCHEME BEFORE THEY TAKE FULL EFFECT.

FOR PROJECTS WHICH HAVE ALREADY BEEN OFFERED SLECTIVE ASSISTANCE, RDG WILL CONTINUE TO BE PAID UNDER THE OLD RULES, NOT THE NEW.

6



Secretary of State for Industry

THE OLD RULES, NOT THE NEW, WILL APPLY FOR PROJECTS FOR WHICH APPLICATION HAS ALREADY BEEN MADE, OR IS MADE BEFORE 31 JANUARY 1984, PROVIDED AN OFFER IS MADE BEFORE CHANGES TO THE LEGISLATION ARE BROUGHT INTO EFFECT.

THE REGIONAL INVESTMENT ROLE OF THE BRITISH TECHNOLOGY GROUP - WHICH DOES NOT RELATE TO ITS PRIMARY TASK OF ENCOURAGING THE TRANSFER OF TECHNOLOGY - WILL BE DISCONTINUED.



Secretary of State for Industry

THE WHITE PAPER INVITES VIEWS ON A NUMBER OF ISSUES.

IN RESPECT OF GRANT, WHICH ACTIVITIES SHOULD QUALIFY FOR RDG, WHAT THE RATES OF GRANT SHOULD BE, AND WHAT THE BALANCE SHOULD BE BETWEEN AUTOMATIC AND SELECTIVE ASSISTANCE.

ON THE ASSISTED AREA MAP, VIEWS ARE INVITED ON BOTH THE CRITERIA FOR DESIGNATION AND ON MAP COVERAGE.

THE GOVERNMENT ALSO WELCOME VIEWS ON WHETHER SPECIAL MEASURES SHOULD BE TAKEN IN THE ASSISTED AREAS TO ENCOURAGE INNOVATION AND NEW FIRM FORMATION.



Secretary of State for Industry

I WOULD WELCOME WRITTEN SUBMISSIONS,
BEFORE THE END OF MAY 1984, IN ORDER THAT
THEY MAY BE CONSIDERED BEFORE DECISIONS
ARE REACHED.

CONSULTATION HAS ITS PRICE.

A NUMBER OF IMPORTANT DECISIONS ABOUT
REGIONAL POLICY WILL REMAIN TO BE TAKEN
UNTIL AFTER THE CONSULTATION PERIOD.

IN PARTICULAR, IT IS NOT POSSIBLE NOW TO
ANNOUNCE THE FUTURE GEOGRAPHICAL COVERAGE
OF REGIONAL ASSISTANCE OR THE AMOUNT OF
FUTURE REGIONAL EXPENDITURE.



Secretary of State for Industry

SO FAR AS COVERAGE IS CONCERNED, THE NEW
MAP WHEN IT IS PUBLISHED WILL BE BASED UPON
MORE UP TO DATE DATA CONCERNING TRAVEL TO
WORK AREAS NOW BECOMING AVAILABLE FROM THE
1981 CENSUS RETURNS.

THE GOVERNMENT WILL INTRODUCE LEGISLATION
AS SOON AS POSSIBLE TO PROVIDE FOR THE NEW
SCHEME OF RDGs OUTLINED IN THE WHITE PAPER.

ONCE THE CONSULTATION PROCESS IS COMPLETE,
AND THE REMAINING DECISIONS TAKEN, THE
GOVERNMENT PROPOSE TO LAY THE NECESSARY
ORDERS, IMPLEMENTING ALL THE CHANGES
SIMULTANEOUSLY IN AUTUMN 1984.



Secretary of State for Industry

IN SHORT THE NEW POLICY WILL EASE THE PRESENT UNJUSTIFIED BIAS AGAINST SERVICE INDUSTRIES; IT WILL END THE UNJUSTIFIED PAYMENT OF EXPENSIVE AID TO PROJECTS WHICH CREATE FEW JOBS IN THE ASSISTED AREAS; IT WILL MINIMISE MERE JOB SHIFTING AT TAXPAYERS' EXPENSE; AND IT WILL CONCENTRATE ON BETTER VALUE FOR MONEY IN JOB CREATION IN THE AREAS OF GREATEST NEED.

I AM CONFIDENT THAT THE NEW FRAMEWORK WILL PROVIDE A FIRM BASIS FOR A MORE COST EFFECTIVE REGIONAL INDUSTRIAL POLICY, BENEFITING THE ASSISTED AREAS MORE EFFECTIVELY WITH LESS ADVERSE EFFECTS ELSEWHERE.



JU183

Secretary of State for Trade and Industry

ASDM AT 9/12
cc N.O.
DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5422

GTN 215

(Switchboard) 215 7877

File with Press.

9 December 1983

CONFIDENTIAL

David Heyhoe Esq.
Private Secretary to the
Lord Privy Seal
Privy Council Office
68 Whitehall
London SW1A 2AT

Dear David,

STATEMENT - REGIONAL POLICY WHITE PAPER

When we spoke on the telephone, I warned you that my Secretary of State wishes to make a statement on Tuesday, 13 December on Regional Policy. The present aim is that a White Paper will be published on 13 December to coincide with the Secretary of State's statement. The White Paper, as you know only too well, has been the subject of extensive discussions and is now agreed by all Ministers involved. The statement will announce the publication of the White Paper on future regional industrial policy which sets out a new structure for regional incentives and invites views on a range of related issues including rates of grant and assisted area map coverage.

2 The future of regional policy has engendered much national interest and as you know there has been considerable pressure in the House for an early statement. I shall circulate a draft of the paper as soon as possible next week.

3 Copies of this letter go to Tim Flesher (No 10), Murdo Maclean (No 12), David Beamish (Chief Whip's Office, House of Lords) and to Bernard Ingham (No 10).

Yours ever

M C McCarthy

M C MCCARTHY
Private Secretary

29 DEC 1983

10 11 12 1
9 8 7 2 3
6 5 4