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Secretary of State for Trade and Industry

6 August 1984

Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
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REVIEW OF REGIONAL INDUSTRIAL POLICY

At E(A) last October, colleagues invited me to prepare alternative packages of regional industrial incentives. I hope we shall be able to consider alternative packages, prepared by a working group of officials from all the Departments concerned, at E(A) on 24 September.

2 Once decided, the new RDG scheme and Assisted Area map should be introduced as soon as possible - partly in order to avoid unnecessary speculation and partly in order to avoid postponing the achievement of the savings in public expenditure which we expect to achieve (at the rate, roughly speaking, of £15million per month). But the implementation of our decisions, once made, will not be without difficulties, particularly with respect to the European Commission and the staffing changes. We have always been aware of these problems. Colleagues will wish to consider how to meet them.

3 EC Approval. Formally, we are supposed to notify the Commission 60 days in advance of any changes to regional policy, and they have powers to extend their decision period. In practice, we can go ahead immediately if we are prepared to risk having to revoke parts of our decision and recover money. There is virtually no risk of our having to change the revised RDG scheme, judging from informal discussions between officials. However there could be a real risk with the map, depending on the nature of the decisions. Recently both the Dutch and the Germans have had to revoke part of their revised maps. It therefore seems important not only to inform the Commission of our decisions quickly but also to take them along with us as far as possible as our thinking develops, if only to avoid any traps. I therefore propose that officials here be authorised to tell Commission officials about their work on the synthetic index - which will elicit many

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technical questions which will have to be answered before the Commission will give an opinion - but not about our own discussions of it. So as to minimise the risk of leaks, I suggest that when providing the Commission with alternative listings of areas' scores there should be no indication of possible 'cut-off' points.

4 Staffing Changes. The changes to the RDG scheme require major organisational and staffing changes in DTI regional offices and in the territorial departments to administer both the new RDG scheme and the likely resulting increase in regional selective assistance. Where areas become eligible for regional incentives for the first time, it is essential that the organisation is in place from the very first day. This relates particularly to the West Midlands, where there are no Assisted Areas at present and if substantial parts of the region receive AA status it will take 2 months at least to get the Regional Office ready. It is thus most important that we arrive at an agreed view at least on the principle of AA status for some parts of the West Midlands (though almost certainly not on specifics) when we discuss the regional policy package at E(A) on 24 September.

5 I hope that we can agree now on keeping the Commission informed of the progress of work on the synthetic index since this will reduce the risk that we shall be forced to delay the savings for Community reasons. Provided that we decide on 24 September the detailed timetable for EC notification, on the principle of whether AA status should be given to the West Midlands and make substantial progress on other issues, then I think that we can keep to our target for implementation of the whole package in mid to late November. If this level of agreement is not reached, then I fear that we shall have to rethink the timetable for implementation, which would almost certainly slip.

6 We must clearly advance our thinking on the whole package as far as possible at our 24 September meeting, and I think we must therefore aim to get as near as possible to settling the total savings which we expect to achieve, our preferred balance between different regional policy instruments, and the basis on which we will make decisions on the AA map, as well as narrowing down considerably the range of possible RDG options, especially the rates of grant. All these issues will of course have been considered in some detail by officials before we meet, with a view to having before us an agreed range of options.

7 There is one further gloss to put on all this. As you know, it is customary for there to be a 2 month delay between Royal Assent and an Act coming into force. On present plans we will not receive Royal Assent to the CDA/IDA Bill much before the end of October and consequently, if we are to introduce the revised scheme in November - or indeed at any time earlier than, say, 1 January 1985 - we shall need to dispense with the customary 2 months' interval between enactment and coming into force.

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8 The delay is usually required to enable those who may be adversely affected by the legislation in question to develop a full understanding of its effects before it is implemented. As regards the CDA provisions of the Bill, I do not regard this as important since their principal purpose is to increase the agency's funding and there are therefore no adverse effects. As to the RDG provisions, not only did we announce our intentions in the White Paper last December, but we intend to have a 12 months transitional period following the introduction of the new scheme during which RDG will continue to be available on the basis of the present scheme and map. In addition, waiving the 2 months "rule" will enable those who are newly qualified for RDG to benefit from the new scheme 2 months earlier than would otherwise be the case.

9 I hope that, should it prove necessary, colleagues will see no difficulty, therefore, with dispensing with the 2 month period between Royal Assent and coming into force; and hence with proceeding with the earliest possible introduction of the new scheme.

10 I am copying this letter to the other members of E(A), the Lord Privy Seal, members of L Committee, Sir Robert Armstrong and the First Parliamentary Counsel.

A handwritten signature in black ink, appearing to read 'Norman Tebbit', with a horizontal line underneath the name.

NORMAN TEBBIT

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Reference No E 0104

M C McCarthy Esq,
Private Secretary,
Secretary of State for Trade and Industry,
Victoria Street,
LONDON SW1

10 August, 1984

Dear Callum,

REVIEW OF REGIONAL INDUSTRIAL POLICY.

Your Secretary of State's letter of 6 August to the Chancellor of the Exchequer about discussions of regional industrial policy which will be needed in early Autumn refers to a meeting of E(A) on 24 September.

2. As I mentioned to Andrew Lansley, a meeting of E(A) will not be possible on that date because both the Prime Minister and the Chancellor of the Exchequer will be abroad.

3. I have arranged a meeting of E(A) to take this item on Wednesday, 3 October at 11am. That will mean circulating papers by Wednesday 26 September. Perhaps you would let us know how things are shaping up when you respond later this month to Michael Buckley's letter of 24 July about the three-monthly forward look.

4. I am copying this to Private Secretaries to recipients of your Secretary of State's letter of 6 August.

Yours,
John Stoker.

JOHN STOKER

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Rev. Percy

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