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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

16 August 1984

The Rt. Hon. Norman Tebbit MP
Secretary of State for Trade & Industry

A handwritten signature in cursive script, appearing to read 'Norman Tebbit'.

REGIONAL POLICY

file with Oh.

Thank you for your letter of 6 August about developments on regional policy.

Like you, I think it vital for us to make as much progress as possible at our meeting on 3 October. I should like to think that we could reach broad decisions then on everything but the precise make-up on the new assisted areas map.

One of our main concerns then will be the total savings we are aiming to achieve. We agreed last year on aiming at net savings of up to £200 million a year. However, this was against a background of expenditure on regional development grant and regional selective assistance of around £500 million a year over the next 4-5 years. We envisaged an annual spend on regional assistance of around £300 million. At that time the investment profile looked pretty flat. Since then, however, as a result of economic recovery and the improved outlook for company profitability the present expenditure levels on regional assistance show a significant increase. As a result, in the absence of policy changes, expenditure by 1986-87 might be as high as £650 million. Savings of around £200 million would still mean an unacceptably high level of expenditure even under the new policy. Moreover, with the economy more buoyant than we expected the need for special investment incentives must be much reduced. In my view, therefore, we should aim to establish a level of spend nearer what we had in mind last year - around £300 million a year, compared with about £500 million in 1983-84 and 1984-85. This means we should need to go much further than our earlier savings target and aim for savings of £350 million by 1986-87.

In taking our decisions about total savings, therefore, we shall need to have information that will allow us to see how the various grant and map options would affect future expenditure. I understand that the range of options to be prepared by officials can be presented so as to allow us to assess their effects over the PES period. This will clearly be crucial for our deliberations.

In order to achieve these savings at an early date, it is important that we should seek every means of bringing the new regime into operation as soon as possible. I am therefore content to open up discussions with the European Commission now about the basis on which we propose to proceed on revision of the assisted areas map. I hope that it will be possible for you to give us on 3 October some preliminary report of the EC reaction. I am also glad to hear that you no longer think it may be necessary to delay implementation for two months in order to set up a West Midlands office, provided that on 3 October we can arrive at an agreed

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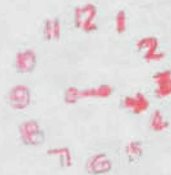
view on the principle of assisted area status for some parts of the West Midlands. And, of course, I share your view about the desirability of dispensing, if necessary, with the customary two month period between Royal Assent and the coming into force of the enabling legislation.

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

NIGEL LAWSON

*Yours -
Nigel*

21 AUG 1984



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NARM

AS 2/9

C/NO



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

3 September 1984

Dear Norman,

REVIEW OF REGIONAL INDUSTRIAL POLICY

I have seen your letter of 6 August to Nigel Lawson and his subsequent reply, together with those of other colleagues.

I certainly agree that we should open up discussions with the European Commission now about the basis on which we propose to proceed on revision of the assisted areas map. I look forward to our discussion of other substantive issues on 3 October.

My main concern at present, however, lies in your final request for a waiver of the 2 month period between Royal Assent and the coming into force of the Act. I understand your reasons for wishing to dispense with the delay but I do think it important, both in terms of equity and presentation, that this should only be done if you are issuing adequate publicity about the scope and range of the new scheme as soon as the Act comes into force. I imagine that you have this well in hand and you may therefore take it that you have agreement to dispense with the 2 month rule on that basis.

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

John Biffen

JOHN BIFFEN

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

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Review



10 DOWNING STREET

David ^{Dub}
17/8

REGIONAL POLICY

Oliver Letwin
and Bob Tang
are currently
working on a
"radical" (sic) Policy
Paper. It should
be ready on 1.10.84
Oliver ∴ has file,
but will return
it if you need it.
Se.