



From the Minister of State for Industry

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AT 27/4
C. D. R.
Press Office
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DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215) 5186
GTN 215)
(Switchboard) 215 7877

Norman Lamont MP

CONFIDENTIAL

The Rt Hon George Younger MP
Secretary of State for Scotland
Scottish Office
New St Andrew's House
St James Centre
EDINBURGH
EH1 3SX

27 November 1984

Dear George

REGIONAL POLICY STATEMENT

As promised in my letter of 19 November, I enclose a copy of the statement I propose to make to the House on 28 November.

I am copying this letter to the Prime Minister, Nick Edwards, Willie Whitelaw, Nigel Lawson, Patrick Jenkin, John Biffen, Tom King, John Gummer, David Young, John Cope and Sir Robert Armstrong.

*Yours
Norman*

NORMAN LAMONT

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REGIONAL POLICY STATEMENT

With permission, Mr Speaker, I should like to make a statement on the Government's review of Regional Policy. I have laid before the House today four Orders bringing into force the new regional development grant scheme and the new map of assisted areas.

Our decisions have been taken after very full consultation, including consideration of almost five hundred submissions. I have placed in the Library a list and a summary of the submissions received.

The submissions received show considerable support for the Government's proposals as outlined in the White Paper. Whilst the majority support the continuation of regional policy, many were critical of the waste inherent in the present system and consider it possible to make the policy more cost effective.

To achieve greater cost-effectiveness we have concluded that the new map should have two tiers instead of three, and that the inner tier, which will qualify for automatic grants as well as regional selective assistance, will be restricted to



15% of the working population. This compares with 22% for the present development and special development areas. The outer tier of the map, which will qualify for regional selective assistance, will cover a further 20% of the working population. We have included in the new map several areas, most notably parts of the West Midlands, that have previously been denied regional assistance. Both tiers will be eligible for support from the European Regional Development Fund.

In redrawing the map, we considered the present and future employment patterns of each area, along with other factors, including the risk of distortions where non-assisted areas are adjacent to assisted areas. Some such effects are inevitable in any regional policy.

For the new RDG scheme we have set the rate of capital grant at 15%. In our view the new rate is high enough to ensure that grants are an effective incentive to investment.

For too long regional policy has unduly discriminated against service industries even when such industries offer the prospect of increased employment. We have therefore decided to make some service industries eligible for regional development grant. These are listed in the relevant order.



Since unemployment is everyone's main concern today, it is also right that any policy as expensive as regional policy should be tied more closely to jobs.

We have already announced our intention to make two changes to give effect to that aim. Firstly, capital grant will be subject to a cost per job limit. Too much money has been spent in support of capital intensive projects that create few jobs and do little for the economies of the regions. The cost per job limit will be £10,000. However we wish to minimise the burdens placed on small firms and this limit will not in general be applied to firms employing less than 200.

Secondly we also announced that in future firms should be able to receive a job grant as an alternative to capital grant. The job grant will be set at a level of £3,000 for each new job created. Firms will not have to choose between job grant and capital grant: they will automatically receive whichever is greater.

The Government also intend to continue to give selective assistance to projects that protect existing employment but which otherwise would not go ahead. With the increase in



the outer tier of the map, this will mean an increase in selective assistance. Overall the balance between automatic grants and selective assistance will shift considerably towards the latter.

After the working through of the transitional provisions, we expect the new regional policy to cost nearly £300 million per year less than if present policy were to be continued. This will be a considerable lightening of the public expenditure burden of the policy. Even so we will still be spending nearly £400 million on regional policy in 1987/8 to improve job prospects in the worst hit areas.

The most important feature of our policy is that that money will now spent in the areas with the worst problems and that, in terms of new jobs per pound of expenditure, the new policy will be far more effective than the old.

Regional PA 177

Review



Members' Brief

No. 29
29th November 1984

1. A NEW DEAL FOR THE REGIONS

A reduction in unemployment depends on control of public expenditure leading to low inflation plus growth. The prime purpose of regional policy is to reduce disparities in regional employment opportunities. In this respect it has not worked satisfactorily. The Government has therefore decided to improve regional policy to make it less costly and more cost-effective. At the end of the transition period in 1987-8 assistance worth £400m. will be concentrated where it will have the greatest impact on employment.

Past experience has shown that all too often regional development grants have had no link with jobs. In one project alone, £100m. of taxpayer's money was spent on the oil terminal at Sullum Voe creating around 800 jobs; the project would almost certainly have gone ahead on that site in any case. In addition, new jobs in assisted areas have often been at the expense of jobs in other areas. Furthermore, the assisted area map has increasingly failed to reflect adequately those areas worst hit by unemployment during the current recession. Parts of the West Midlands have, for example, been excluded until now.

Cost. There will be annual savings of £290m. from 1987-8. They will assist the continued reform of the tax system and maintain the downward pressure on interest rates. Industry everywhere will be encouraged to undertake profitable investment that will lead to more jobs. The changeover will be gradual to allow industry time to adjust to the new régime with a minimum of disruption to their forward planning. Indeed, expenditure on regional development grants is expected to rise until 1986-7.

Coverage

Mr Norman Lamont has said: 'To achieve greater cost-effectiveness we have concluded that the new map should have two tiers instead of three, and that the inner tier, which will qualify for automatic grants as well as regional selective assistance will be restricted to 15 per cent of the working population. This compares with 22 per cent for the present development and special development areas. The outer tier of the map, which will qualify for regional selective assistance, will cover a further 20 per cent of the working population' (*Hansard*, 28th November 1984, Col. 936).

These changes will mean that:

- Although development area coverage has fallen, total coverage has increased from 27 to 35 per cent.
- In the past the automatic regional development grants (RDGs) have been heavily biased towards manufacturing industry. The range of activities that will now qualify for RDG has been expanded to include growth areas in the service sector such as data processing and software development.
- Regional selective assistance will not normally be available for projects which simply transfer operations from one part of the country to another with no net increase in jobs. Aid will be available for modernisation projects which safeguard or create employment.
- The extension of the map will give many local authorities access to the European Regional Development Fund for their infrastructure projects for the first time.

Rate of Regional Development Grant. The new 15 per cent rate of grant, as compared with 22 per cent in the old SDAs and 15 per cent in DAs, is sufficient to help encourage investment decisions that might not otherwise take place. In addition, to limit the grant paid to capital projects creating few jobs, a ceiling of £10,000 per job has been set. (This limit will not normally apply to small firms.) Alternatively, firms will be able to apply for a direct grant of £3,000 per job created in labour intensive projects.

The New Map. The Government took into consideration unemployment rates, the industrial structure, the occupational structure of the workforce, the prospective growth in the numbers seeking work and location in relation to major markets. Several areas, previously unassisted, have now achieved assisted area status, including parts of the West Midlands, in recognition of their needs. The distribution of expenditure between England, Scotland and Wales will remain broadly the same.

Conclusion. Regional policy is only one of a range of policies (such as the YTS and Support for Innovation) by which Government seeks to improve the framework within which industry operates. As **Mr Lamont** has said: 'The most important feature of our policy is that money will now be spent in the areas with the worst problems and that, in terms of new jobs per £ of expenditure, the new policy will be far more effective than the old' (*ibid.*, Col. 937).

2. INDUSTRIAL RELATIONS AND THE LAW

After the repeal of the last Conservative Government's industrial relations legislation, many said that the law could not be used in this area. But the last few months have told a different story. It is increasingly clear that the legislation passed by this Government is now helping to create a much better climate in industry. As **Mr Tom King**, Secretary of State for Employment, recently pointed out:

'A quiet revolution in attitudes is taking place at all levels of British industry – amongst employers, union leaders and, most important of all, amongst union members themselves ... Not just companies, but also individuals and groups of union members have shown their willingness to seek the protection of the law in defence of their rights. It is clear that our trade union reforms are starting to work, that they will increasingly lead to a real change of attitudes in industrial relations in this country' (Bridgwater, 24th November 1984).

The Evidence

Strikes. Employers are showing that they are prepared to use the pre-strike ballot provisions of the Trade Union Act 1984. The most notable example to date occurred last week when Austin Rover's use of the new law hastened the collapse of a very damaging strike.

Closed Shop. To have any legal standing a closed shop must, from 1st November this year, be sanctioned by eighty per cent of its members voting in a secret ballot. In most cases, the necessary ballots are not being held; where they have occurred, the required majority has often not been obtained. The closed shop is in retreat.

Trade Union Attitudes. Last week the Electricians' Union (EETPU) became the first union to announce that it would accept public money for postal ballots; the AUEW are now thinking of following this move. Several unions are looking at ways of bringing their rule books into line with the provisions of the Trade Union Act 1984, including Clive Jenkins' ASTMS.

Vindication of the Government's Approach. The Industrial Relations Act 1971 attempted to impose an overnight change in industrial relations, as did Labour's divisive 1969 'In Place of Strife' proposals. In contrast the Government's approach is both widely accepted and increasingly successful because it has taken care to keep in step with what the vast majority, including trade unionists, believe is fair and reasonable. And unlike previous attempts, the present legislation is flexible; it gives rights to employers and individuals to use as they see best, rather than imposing a rigid set of obligations.

The Legislation

The 1980 Act:

- gave employers legal remedies against *secondary picketing* (away from the pickets' workplace);
- gave employers legal remedies against most *secondary action*, like 'blacking';
- introduced *closed shop protection* for those with conscientious objections and some other classes of employees;
- provided *funding for postal ballots* held by trade unions.

The 1982 Act:

- made it possible to take *legal action against trade unions* (rather than just individual strike organisers);
- gave employers legal remedies against any industrial action where no dispute exists between *employers and their own employees* or which is not wholly or mainly about employment matters (e.g., which is *primarily political*);
- gave all employees (and employers) statutory protection against *unballoted closed shops* (any closed shops not approved by an overwhelming majority of the workforce in a secret ballot).

The 1984 Act:

- required *elections to union executives* to be by direct, secret ballot;
- made the holding of *strike ballots* with provision for secret voting a further condition of unions' legal immunity for organising industrial action;
- required unions to hold *political fund review ballots* every 10 years.

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)
Oddi wrth Ysgrifennydd Gwladol Cymru



WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)
From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

23 November 1984

De Name

N 23/11

ANNOUNCEMENT OF NEW REGIONAL POLICY ARRANGEMENTS

Thank you for your letter of 19 November.

File with Steenagh Wallace

I am sure that you are right that we should take a co-ordinated line on the announcement and in broad terms. I am content with your proposals and look forward to seeing your own briefing. Our officials and our press officer will certainly continue to be in very close touch.

On your specific proposals, I agree that we have to ensure that nothing leaks out prior to the announcement itself and I, therefore, endorse your line.

On the day of the announcement I will give a briefing (in London) to the Welsh lobby and will do television and radio interviews for use in Wales.

On the issue of letters to MPs and to local authority chief executives, I would prefer that these came from you - principally because, strictly speaking, it is your announcement and the matter of it ought, in my view, to reflect that.

I look forward to early sight of the text of the announcement.

/ Copies of this go to the Prime Minister, George Younger, Nigel Lawson, Patrick Jenkin, Tom King, John Gummer, David Young, John Cope and Sir Robert Armstrong.

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Norman Lamont Esq MP
Minister of State for Industry
Department of Trade and Industry
1-19 Victoria Street
LONDON
SW1H 0ET

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SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Norman Lamont Esq MP
Minister of State for Industry
Department of Trade and Industry
1-19 Victoria Street
LONDON
SW1H 0ET

22nd November 1984

Dear Norman,

ANNOUNCEMENT OF NEW REGIONAL POLICY ARRANGEMENTS

Thank you for your letter of 19 November about the arrangements for handling the announcement of the decisions on regional policy.

I am generally content with what you propose. I agree in particular that there should be no Press briefings in advance of the announcement. I shall be meeting the Scottish lobby immediately after the announcement is made, and Allan Stewart will at the same time be giving non-attributable briefings to Scottish leader-writers and journalists. I think it would be valuable for a Scottish Office Minister to join you at your press conference, to underline the fact that the decisions being announced are those of the Government as a whole, and I propose that Michael Ancram should do this. Nick Edwards might wish to consider a similar arrangement. The Director of the Scottish Information Office will be ready to liaise with his counterpart in your Department as necessary.

I look forward to seeing a copy of your proposed statement as soon as possible. My officials are in touch with yours on what should be said in response to questions, including the particular points you mentioned, and will be seeking to work out an agreed line.

I am content that you should write to Scottish MPs along the lines of the draft letters you enclosed, though I think this might be reinforced by an informal word to our back-benchers, after your statement, and Allan Stewart will be doing this. I think it would be consistent if your Department were also to write to Scottish local authorities (together with the New Town Development Corporations and COSLA); Allan will in any case be seeing Glenrothes representatives separately. I also agree with the arrangements you propose for replying to those who made representations, and am content that these letters should issue from your Department.

I am copying this letter to the Prime Minister, Nick Edwards, Nigel Lawson, Patrick Jenkin, Tom King, John Gummer, David Young, John Cope and Sir Robert Armstrong.

Yours
wv,
George

Regional Policy : Review A7.

22 NOV 1984

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CONFIDENTIAL

The Rt Hon George Younger MP
Secretary of State for Scotland
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EDINBURGH
EH1 3SX

19 November 1984

Dear George

ANNOUNCEMENT OF NEW REGIONAL POLICY ARRANGEMENTS

I understand that discussions with the EC are proceeding satisfactorily, and that we are on target for an announcement on 28 November. The purpose of this letter is to outline my thinking about both press handling of the announcement of the changes and the formal Parliamentary statement, notification of AA map changes to MPs, etc.

I am sure that you will agree that it would be unhelpful if the ultimate shape of the map, and the new aid regime, were to leak out in advance of our announcement. It is, of course, impossible to prevent journalists producing speculative pieces before we make our announcement. But I think we should do what we can to avoid this happening on the basis of incomplete briefing. Accordingly, I do not propose that I or my colleagues in this Department should undertake any briefing on regional policy in advance of the announcement. I shall also ensure that my officials do not do any background briefing.

It is obviously essential that all territorial Ministers take the same line on press briefing, and I hope that you and Nick Edwards, to whom I am copying this letter, will be able to confirm that you will handle requests for press briefing along the lines I have suggested.

1THAGY



We are now turning our minds to the details of presentation and handling of the announcement. I propose to hold a Press Conference in London on the day itself and no doubt you and Nick will be holding similar press conferences in Scotland and Wales. I think it would be sensible if our respective Directors of Information now get in touch to discuss any areas where liaison might be necessary.

So far as the formal Parliamentary statement is concerned, this will of course follow the normal pattern of a statement in the Commons followed by questions, with a parallel statement in the Lords. I shall let colleagues see a copy of the statement in due course, and it will be important for our officials to agree on what is to be said in response to supplementary questions both at the time of the statement and subsequently. In this connection I am thinking particularly of such issues as the financial implications of the decisions and the line to be taken on demands for publication of the objective basis on which decisions were taken about the AA map.

It has always been the practice for MPs to receive letters on the day of the announcement of any AA map change telling them of its impact on the TTWAs relating to their constituencies. Given the large number of constituencies affected by the change it will be necessary to prepare the letters in advance. I am already setting this in hand for England and enclose the two specimen letters which seem to me needed. I am of course very happy to do the same for Scotland and Wales unless you and Nick Edwards would prefer to do this yourselves.

It has also been the practice to notify Chief Executives of all Local Authorities (and the Local Authority Associations) of changes in AA status. I am arranging for this to be done in England at official level and assume that you and Nick Edwards would wish to make similar arrangements in Scotland and Wales.

In addition to these traditional notifications it will be necessary on this occasion to tell all those who responded to the White Paper during the consultation period what the Government's decisions are. I think this can best be done by sending them all a copy of the press statement under cover of a very brief covering letter at official level, and given that the submissions were made to the DTI I suggest that these letters could most conveniently go out from here.

I should be grateful to know as soon as possible whether you and Nick are content with these arrangements.

1THAGY



I am copying this letter to the Prime Minister, Nick Edwards,
Nigel Lawson, Patrick Jenkin, Tom King, John Gummer, David Young,
John Cope and Sir Robert Armstrong.

Norman Lamont
NORMAN LAMONT

MPs whose constituencies do and/or will include parts that
are Assisted

You will know from my statement in Parliament today that the Government have completed their review of regional industrial policy. This included a fundamental revision of the map of Assisted Areas.

As laid down in the Industrial Development Act 1982, when considering the designation of each individual area we have taken account of all its circumstances, actual and expected, as well as the objectives of regional policies. Our objective for regional industrial policy is the reduction of regional imbalances in employment opportunities on a stable long term basis. We therefore considered each area's need for employment opportunities relative to []/[elsewhere in Scotland and]/[elsewhere in Wales and] the rest of the country. We also took account of the cost of regional policy, its implications for areas that are not assisted, and all the submissions and representations received in response to our White Paper "Regional Industrial Development".

[An alternative paragraph 3 for MPs whose constituencies are wholly or partly in the Manchester TTWA is at A.]

The AA map continues to be based on the Department of Employment's Travel-To-Work Areas (TTWAs) as these represent the closest approximations to self-contained labour-markets. Thus TTWAs are the best basis for nationwide comparisons of relative need for employment opportunities. As you will know from Alan Clark's letter of 16 July, TTWAs were revised earlier this year using 1981 census information on people's actual journeys to work. Your constituency [includes all or part of theTTWAs.]/[is in the TTWA(s).] As from 29 November, [description of above TTWAs AA status].

Within Intermediate Areas, firms are eligible for Regional Selective Assistance [while within Development Areas firms are also eligible for the new Regional Development Grants (RDG)]. Under our transitional provisions, wherever the changes would otherwise lead to a reduction or loss of RDG, the old map and old RDG scheme will continue to apply for assets provided by 28 November 1985. Derelict Land Clearance Grants, which are administered by the Department of the Environment, will continue to be available throughout the Assisted Areas are eligible for support from the European Regional Development Fund.

I enclose [a copy of my statement and] a map of the Assisted Areas.

MONAKW

ALTERNATIVE PARAGRAPH 3

The AA map continues to be based on the Department of Employment's Travel-To-Work Areas (TTWAs) as these represent the closest approximations to self-contained labour-markets. Thus TTWAs are the best basis for nationwide comparisons of relative need for employment opportunities. As you will know from Alan Clark's letter of 16 July, TTWAs were revised earlier this year using 1981 census information on people's actual journeys to work. [Your]/[Part of your] constituency is in the new Manchester TTWA. As many in the Manchester area commute long distances, this is one of the largest TTWAs in the country. It is therefore not possible to include all of it in the AA map except at the cost of excluding many smaller areas with stronger cases for assistance than Manchester. With effect from 29 November the Northern part of the TTWA, as illustrated by the enclosed map, is therefore an Intermediate Area. This includes all of Tameside, the Inner City Partnership Area, the Trafford Park industrial estate, and a number of wards between these areas and other Assisted Areas. As many people commute to central Manchester from a much wider area, we are confident that assisting this area will improve employment prospects for all living in the Manchester TTWA. [Your constituency also includes part of the TTWA which is now an [Intermediate]/[Development Area].

MPs who have made representations but whose constituencies
are and will be wholly Non-Assisted

You will know from my statement in Parliament today that the Government have completed their review of regional industrial policies. This included a fundamental revision of the Assisted Areas (AAs) map.

As laid down in the Industrial Development Act 1982, when considering the designation of each individual area we have taken account of all its circumstances, actual and expected, as well as the objectives of regional policies. Our aim in regional policy is to reduce regional imbalances in employment opportunities on a stable long term basis. We therefore considered each area's need for employment opportunities relative to []/[elsewhere in Scotland and]/[elsewhere in Wales and] the rest of the country. We also took account of the cost of regional policy, its implications for areas that are not assisted, and all the submissions and representations received in response to our White Paper "Regional Industrial Development".

In view of the interest you have shown in the progress of the review, I enclose [a copy of this statement together with] a copy of the new map.

MONAKW

19 NOV 1984

