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1 July 1983

The Rt Hon Viscount Whitelaw MC CH  
Privy Council Office  
Whitehall SW1

*Dear Lord President*

LEGISLATIVE PROGRAMME 1983/84: INDUSTRIAL DEVELOPMENT BILL

I promised to let you know as soon as possible whether I would be urging colleagues in Cabinet to reconsider the exclusion of the Industrial Development Bill from the 1983/84 programme as recommended by QL. As I know you have already had to put forward your own paper I am circulating this direct to colleagues.

We have been considering changes that should be made to regional policy and in particular to Regional Development Grants. There are, of course, serious issues that remain to be settled on regional policy but MISC14 at its meeting on 24 March endorsed in principle certain proposals for a new RDG scheme designed to make it more job related. To achieve this the Industry Act needs to be amended to do three things: to give powers to impose a cost per job limit; to enable job grants to be given as an alternative to capital grants; and to provide for RDGs to be assessed on a "project" rather than a premises basis. Officials were asked to report back at the end of this month with detailed options. These proposals are about to be submitted.

I believe that these changes will be widely welcomed. They would make regional policy more employment related and will be regarded as positive long term measures to create jobs. They would meet the major criticisms about the cost effectiveness of regional policy, and would be exactly in accordance with the commitments made in our Manifesto.

Bringing about these changes will at a later stage require further detailed decisions on matters such as the Assisted Area Map and rates of grant. But introducing legislation now would in no way pre-empt our decisions on these matters. Indeed there could be political advantages in already having the legislation in place before announcing the detailed decisions we will have to make. Certainly the passage of the legislation should be easier this way as it will be confined to changes that will attract support.



These changes are only part of the outcome of our review of regional policy but they are the only ones that will require primary legislation. It is important to proceed with the legislation now, so that we are in a position to implement these changes, on which we are agreed, as soon as possible in 1985. If we do not have legislation this session these changes cannot be made until mid 1986. This would mean that regional policy would continue for a further year to distort business decisions in favour of capital investment rather than the creation of jobs. We would also delay the substantial savings that would come from improving the cost effectiveness of regional policy. These savings will depend on the other decisions we have to make on regional policy but could be up to £100-150 million.

A further consideration is that these changes will also fulfill a commitment which we gave to the EC Commission in 1980 to make certain modifications to the scheme by 1984 and contribute significantly to maximising the take-up of our quota of the European Regional Development Fund. There is a potentially serious long term problem arising in the shortfall in our take up of the European Regional Development Fund.

I recognise that it is not possible for colleagues to make room for a separate Industrial Development Bill in such a crowded session, but there is an alternative. QL has already recommended the inclusion of a Cooperative Development Agency Bill in the 1983/84 programme of about 5 clauses. The provision to amend RDGs - a further 3-6 clauses - could be added to that without making the CDA Bill significantly more controversial. This would avoid ruling out until the middle of this Parliament the chance to save money on RDGs and to make regional policy both more cost effective and more employment related.

I hope that I shall have the support of colleagues for adding this provision to the CDA Bill, which would then become an Industrial Development (Miscellaneous Provisions) Bill.

I am copying this letter to other members of the Cabinet, to John Wakeham, and to Sir Robert Armstrong.

*Yours sincerely*  
*S. Parkin*

*CP* CECIL PARKINSON

(approved by the Secretary of State and signed in his absence)