



Prime Minister,

Agree to 'x' and 'y'?

(Tim Lankester has not yet seen this paper.)

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

R Carter
Duty Clerk

Agree that we must have pilot proposals worked out before any statement is made.

PRIME MINISTER

REGIONAL POLICY : PILOT AREAS

The Cabinet met on 5th July and I was invited to consider urgently, in consultation with the Secretaries of State for Industry and for the Environment, whether it would be possible to say anything about the proposed "pilot areas" when the announcement on regional industrial policy was made. I understand that this is now planned for early next week. I met this evening with Keith Joseph and Michael Heseltine to consider the work officials have done on the possibilities (with which I need not trouble you at this stage).

This is already covered 'x' etc.

2. We are all agreed that there should be an early statement on regional policy. I regard the fiscal arguments for this as overwhelming.

3. We also agreed that it is imperative to make rapid progress on three fronts in parallel; - the generalised measures aimed at stimulating enterprise and deregulating the business environment, which we are trying to identify in the "Hoskyns" exercise; second, to identify incentives to enterprise which can be introduced in "pilot areas"; and thirdly to define more clearly in concrete terms our ideas for enterprise zones. All this work is now being set in hand, and Keith Joseph, Michael Heseltine and I will meet again next week to draw up a full programme of work to a tight timetable.



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14' | 4. Keith Joseph and I however, feel that we cannot recommend to you that there should be an advance statement of our intentions on "pilot areas" in the forthcoming statement on regional policy (though Michael Heseltine still believes that we should make a firm commitment then to bring forward measures in the autumn). None of the ideas officials have so far examined on the fiscal side are sufficiently well developed that we can be confident of being able to put them forward as firm proposals. And the measures most likely to benefit the regions will not in fact have a "regional" label at all, but will be the proposals we shall announce on a national basis as the conclusion of the "Hoskyns" exercise. To trail "pilot areas" in the context of an announcement on regional policy would run a serious risk of disappointing expectations, since, however irrational, the hope would be for compensating measures specifically aimed at the regions on a much bigger scale than we have in mind. Our preference therefore is to wait until we have some proposals in the autumn, and then to achieve maximum impact with a full statement setting out clearly what we intend to do.

Flag A | 5. Finally, I should add that I very much agree with Keith Joseph (his letter to me of 12th July) that we should not court the risk of a possible hostile reaction from the European Commission to our new policies towards the regions through a premature statement about "pilot areas". Personally, I am sure that, once we have clear proposals to make, we shall be able to present them in a way which will satisfy the Commission, which should on balance be favourably inclined to ^{our} regional policies.

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG
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I am copying this letter to other members of the
Cabinet and to Sir John Hunt.

A handwritten signature in black ink, appearing to be "G.H.".

(G.H.)

13 July, 1979