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Prime Minister

REGIONAL DEVELOPMENT GRANTS: POSSIBLE CHANGES

1. I regret that I shall not be able to attend E Committee on 24 November and should like you and colleagues to be aware of my views.

2. As colleagues have acknowledged, any reduction - even of only 2% - in the rate of Regional Development Grant could be attacked as a retreat on the Government's part from an effective regional policy. I am also conscious of the question of ensuring that we retain the confidence of industry in the stability of our grant system. If reduction is agreed its presentation will obviously require careful consideration.

3. As you know, the position in Northern Ireland is different from that in Great Britain in that we have our own Standard Capital Grants Scheme. That scheme is, however, broadly analogous to the RDGs - though the percentage available is higher at 30% - and accordingly any change in the RDG rate would have implications for the NI arrangements. In fact we are already considering the general thrust of our industrial development incentives in Northern Ireland and whether restructuring of the existing package could make it more effective.

4. In this context one change which I may wish to make in the near future to allow discretion in giving support to capital intensive projects is to introduce a limit of £1m on the amount of assistance payable in 4 consecutive quarters to all companies seeking Standard Capital Grant assistance. Such a limitation can be imposed by Order.

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5. However, given the greater economic difficulties which Northern Ireland currently faces (the seasonally unadjusted unemployment rate stands at 19.5% compared with 14.4% in Scotland, 15.7% in Wales and the UK average of 12.4%) and the current political climate, I have concluded that any cut in the rate of standard capital grant should only be made in the context of an overall package of changes in industrial incentives in Northern Ireland which would make them more attractive. A cut in the capital grant rate at this time would, in isolation, tend to exacerbate the Province's already critical economic circumstances. I will, of course, consult colleagues further in due course about my own proposals.

6. A copy of this minute goes to other Members of E, George Younger, Nicholas Edwards and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be "J.P.", written in a cursive style.

PP

J.P.
(Signed on behalf of the
Secretary of State in his
absence)

20 November 1981