

**REVISION OF THE INDUSTRIAL  
DEVELOPMENT ACT 1982  
CONSULTATION**

Government response

JUNE 2012

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# Introduction

1. The consultation on revising the Industrial Development Act 1982 (IDA) ran from 20 July 2011 to 2 November 2011. The purpose of the consultation was to gather views on whether several requirements in the IDA, which has been in force since 1982, should be updated to reflect current economic realities.
2. In addition to written responses received, the Government's response has been informed by discussions that Ministers from the Department for Business Innovation and Skills has had with the Devolved Administrations, Territorial offices and other Government Departments.
3. Written responses to the consultation were received from Northern Ireland (19) and from England (12) – a full list is at the end of this document. The responses are summarised against each of the consultation questions along with the Government's response.

# Assisted Area Map (IDA section 7)

## Question 1: Should Northern Ireland's automatic inclusion as an Assisted Area<sup>1</sup> in the UK be removed?

4. The 19 respondents from Northern Ireland were generally against the removal of Northern Ireland's automatic Assisted Area coverage from the IDA, some objecting very strongly to the proposed change (2 did not express a view). The 12 respondents from England were generally in favour of the removal so that the whole of the UK could be considered equally on the basis of evidence and statistically proven need.
5. Respondents from Northern Ireland pointed to what they described as the unique situation in Northern Ireland and the significant challenges that remain both politically and economically. Some said that the transformation expected from EU intervention had not yet manifested itself and that Northern Ireland had failed to converge with the rest of the UK despite having had higher Regional Aid intensities and that there would not be any meaningful convergence with the UK average by 2030 unless some radical new policies were introduced.
6. Some specifically cited two major challenges faced by Northern Ireland saying it was heavily distorted by the size and dependence on the public sector and the welfare reform agenda would have a significant impact on the local economy. Some respondents referred to the higher rate of working age population claiming unemployment benefits which had already been exacerbated by the slowdown in the private sector.
7. Others pointed to issues such as the peripheral location of Northern Ireland, the implications of its border with the Republic of Ireland (in particular the lower corporation tax in the Republic), the significance of travel to work areas (e.g. areas surrounding Belfast) together with the importance of using regional aid to attract businesses to locate across Northern Ireland.
8. Some respondents suggested that instead of removing Northern Ireland's automatic coverage from the IDA, the UK Government should focus its efforts on exploring with the European Commission how Northern Ireland might be considered a special case, as with previous Regional Aid Guidelines (RAG). Other suggested it would be premature to make a decision on the removal of Northern Ireland's Assisted Area status from the IDA before the outcome of the consultation on rebalancing the Northern Ireland economy.
9. Respondents from England made the point that other areas in the UK would be likely to lose or have reduced coverage post 2013 if Northern Ireland continued to receive automatic coverage as an Assisted Area; and that this could happen even if

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<sup>1</sup> <http://www.bis.gov.uk/policies/economic-development/assisted-areas>

on economic grounds they were “worse off” than areas in Northern Ireland. The principle of maximising flexibility to target limited resources to those areas in most need of support was highlighted, together with the post 2013 likelihood of the UK having less overall population coverage to use on areas “lagging” behind. Functional economic areas acting with circumstances and level of need differing significantly from sub regional area to sub regional area was also given as a reason for Assisted Area coverage to be targeted at a sub regional level across the UK and specifically in Northern Ireland.

## Government’s response

10. The Government intends to proceed with the removal of Northern Ireland’s automatic 100% coverage as an Assisted Area. Promoting economic development of certain disadvantaged areas through the special status of an Assisted Area is an important part of the Government’s strategy to redress regional disparities. This status is however limited and needs to be focused on areas of greatest impact. If the Government does not address the situation in Northern Ireland in the near future it will limit its flexibility to renegotiate the new Assisted Areas map (the new map will come into force in 2014). This situation is exacerbated because the European Commission is likely to seek to reduce the total population that can reside in an Assisted Area (currently 23.9% across the UK) in line with the principles of less and better targeted aid.
11. Northern Ireland’s automatic 100% Assisted Area status pre dates the IDA 1982, having been included in the Industry Act 1972. It reflected the political circumstances at that time and the same treatment was afforded to Northern Ireland in the IDA in 1982. The uniqueness of Northern Ireland is recognised in the work that the UK Government is doing with the Northern Ireland Executive to “rebalance the economy”<sup>2</sup>. However, there has undoubtedly been an improvement in the political situation in Northern Ireland since 1982. On the basis of economic and statistical analysis, including consideration of evidence provided during this consultation, the conclusion is that Northern Ireland’s 100% automatic Assisted Area coverage should be removed from the IDA.
12. On the present European Commission timescale for issuing the Regional Aid Guidelines for 2014-20, which will set the rules for drawing up the new map, it is anticipated that the UK Government will be consulting on the new Assisted Areas map during 2013. The map will then need to be agreed with the Commission before coming into force in 2014.
13. Removing Northern Ireland’s automatic Assisted Area Status will not in itself mean Northern Ireland losing its 100% coverage under the new Regional Aid Guidelines and new Assisted Areas map. The UK Government, when consulting on the new Assisted Area map, will need to take account of factors particular to Northern Ireland and is working with the European Commission, along with other Member States, to ensure that the new RAG allows appropriate flexibility.

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<sup>2</sup> Rebalancing the Northern Ireland Economy: A summary of consultation response, HMT December 2011

14. If areas of Northern Ireland do lose coverage under the new map this would not directly affect the amount of Regional Aid available in Northern Ireland - and such aid would still be available to incentivise investment which supports economic growth in areas of need. In addition businesses no longer covered could still be eligible for other types of aid, including research and development, training aid and investment aid for SMEs.
15. Several respondents mentioned that it could be premature to make a decision on the removal of the automatic Northern Ireland's Assisted Area status while work on rebalancing the Northern Ireland economy, being led by HM Treasury, is ongoing. Ministers from the UK Government and the Northern Ireland Executive held the third meeting of the Ministerial Working Group on Rebalancing the Northern Ireland Economy on 25 June and will be meeting again in September. The group is considering a number of options including the potential for a devolved corporation tax regime and further work is being carried out before making a decision.<sup>3</sup> The work of this group and its aims will be taken into account when taking forward proposals to draw up the new UK Assisted Areas map for 2014-20.
16. A number of respondents from Northern Ireland said that a full Equality Impact Assessment should have been carried out at the consultation stage. However as already noted in this consultation response, the eventual Assisted Area coverage for Northern Ireland will only be decided after public consultation and then agreement with the European Commission. It is as part of this process that an Equality Impact assessment will be undertaken.

**Question 2: In relation to the per project limit which, if exceeded, a resolution of the House of Commons has to be obtained. Which of the options set out in the paper should be adopted?**

**Question 3: Should the ability to provide uncapped per project foreign currency guarantees be removed and instead aligned with the revised sterling limit?**

17. On Question 2, of those who made specific comments, only one respondent wanted to leave the threshold as it is; otherwise there was strong support for the preferred option to increase the amount to £50 million to reflect the increase in UK GDP between 1982 and 2011.
18. On Question 3, those who made specific comments were supportive saying that the revised per project cap should apply irrespective of what currency is used and that it would "increase Parliamentary control and reduce the risk of sub-optimal decision-making". Some made the general comment that they were content on the

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<sup>3</sup> [http://www.hm-treasury.gov.uk/press\\_51\\_12.htm](http://www.hm-treasury.gov.uk/press_51_12.htm)

assumption it would have no adverse impact on the ability of Northern Ireland businesses to access direct financial assistance.

### Government response

19. The Government is pleased that these proposals met with strong support and intends to increase the limit and remove the distinction drawn between aid paid in the form of sterling or foreign currency transactions when applying financial caps.

### Question 4: Should the IDA be updated to include telecommunications and broadband in the list of basic services?

20. Most respondents commented on this question and there was strong support to include telecommunications and broadband in the list of basic services. Some specifically recognised the importance of these sectors to future success, in particular the contribution to productivity and allowing for the reduction in carbon usage. One respondent suggested the list be extended to future proof the legislation to include flood protection/alleviation and sustainable energy.

### Government response

21. The Government welcomed the support for these changes. The list of "basic services" in the IDA is not exhaustive and the proposed updating of the Act would not change this position.

### Question 5: Should the IDA be amended to extend the Secretary of State's powers relating to the acquisition and development of land acquired other than under the IDA or the Local Employment Act 1972?

22. There was general agreement that this was an appropriate way forward to enable the Government to appropriately manage out land assets and liabilities to help realise the full value of such land.
23. There were some specific comments on how this power might be deployed. For example, that more consideration be given to local authorities as to how and when these assets could be used for economic development purposes. Also that other avenues, such as local ownership, should be considered to unlock such developments particularly where RDA assets could have been acquired or developed using matched funding from Local Authorities. In a similar vein that the Secretary of State should liaise with the Northern Ireland Assembly and the Regional Governments to ensure local needs are addressed. Others thought this power should be restricted to ex-RDA assets, not those owned by all public bodies, and another that it should be on a project by project basis.

### Government response

24. Generally there was a clear understanding of the motivation to amend the Secretary of State's powers to manage government owned land in the most appropriate way. However new powers under the Public Bodies Act 2011 (and Localism Act 2011) give the Secretary of State powers to develop out partially completed projects so

further changes may not be necessary. In any event, the Government will work with local partners to ensure that the greatest benefit is derived from the assets. However, the Government does not consider it practical or appropriate that the ownership should pass to others.

## Next Steps

25. The changes to the IDA will be taken forward in two stages. The Government will table a Statutory Instrument (secondary legislation) removing the 100% automatic coverage of Northern Ireland in the Autumn using section 2(2) of the European Communities Act 1972 as the legislative base. This is permissible as the amendment relates to EU related activities.
26. It is not possible to use secondary legislation to make the other changes as they are not related to EU level activities. Therefore the Government will bring forward legislation as and when Parliamentary time allows.



# List of respondents

1. Northern Ireland Executive
2. Newtownabbey Borough Council
3. Castlereagh Borough Council
4. Northern Ireland Assembly Committee for Enterprise, Trade and Investment
5. Invest Northern Ireland
6. Coleraine Borough Council
7. Moyle District Council
8. Belfast City Council
9. CBI (Northern Ireland)
10. Lisburn City Council
11. Norfolk County Council
12. Elcena Jeffers Foundation
13. Ballymena Borough Council
14. Bombardier Aerospace, Belfast
15. Northern Ireland Local Government Association
16. Larne Borough Council
17. Antrim Borough Council
18. Middlesbrough Council
19. Cornwall Council
20. Wakefield Council
21. Central Bedfordshire Council
22. Disability Action
23. West Lancashire Borough Council
24. IoD (Northern Ireland Division)
25. Hertfordshire Council
26. Local Government Group
27. Association of North East Councils
28. Greater London Authority
29. Humber Local Enterprise Partnership
30. Luton Borough Council
31. Economic Advisory Group, Northern Ireland

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