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Address to THE SOCIETY OF LOCAL AUTHORITY CHIEF EXECUTIVES
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THE E.E.C. AND LOCAL GOVERNMENT

I should start by congratulating you, Mr. President, and everyone concerned with the establishment of SOLACE, on your very considerable achievement in bringing together a fully representative body of the top level of British local government administration. In the European Community as a whole, the representation of local and regional authorities is divided among a number of bodies, including the International Union of Local Authorities and the Council of European Municipalities, to which many of your authorities belong. It is very satisfactory to see that within Great Britain it has been possible to set up a unified body

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representing the Chief Executives of all the local authorities in the country. It is a great pleasure for me, as a European Commissioner, to have this opportunity to address your first Annual Conference.

I am to speak to you about the E.E.C. and local government, about how British membership of the European Community affects local authorities in the United Kingdom. Your association is called SOLACE, and having congratulated you on your achievement in setting it up, I am not going to commiserate with you on account of the name you have chosen to give it. For I can hardly believe that, even in present financial circumstances, the Chief Executives of British local authorities come together for no other purpose than an attempt at mutual consolation.

Besides, if it is solace you are seeking, you have not chosen the right man to come to you to administer the opiate. I can conjure up no mirage of a local authority

officer's Euro-paradise in which your financial and other problems dissolve in the balm of the European Regional Development Fund. Our Berlaymont headquarters building in Brussels is no twentieth-century Aladdin's cave. When the entire annual budget of the E.E.C., though it amounts to three thousand million pounds, is spent in nine countries, and most of it for agricultural purposes that have little to do with the budgets of British local authorities, you will see that there are limits to our scope. But I am concerned, within the limits of our resources and rules, to set on foot a stable partnership between local, national and Community authorities which can develop steadily into something more and more important. At present the E.E.C. is the junior partner; I want to see us become a decisive one. This is not a politically straightforward task, for in none of our nine Member States is the existing partnership between national, regional and local authorities an entirely easy one.

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The pattern of local and regional government varies a great deal between one Member State of the Community and another. There is a classical federal structure in Germany - imposed on her after the war as a means of keeping her central government weak, and providing paradoxically the framework for an economic miracle. There is the centralist tradition of France, the regional experiment in Italy, and in Britain the current discontents of the Scots, the Welsh - until now at last the tolerant Sassenachs are beginning to mutter, alarmingly to a Scot, about home rule for the English.

The pattern of internal government shows big variations, but every member country of the Community shares one thing in common - a regional ferment, a struggle to conserve a sense of identity, of having roots in the face of multinational corporations and bigger and bigger bureaucracies.

Three comments only before I get on with my main theme. First, the European Commission suffers from the handicap of being regarded as a big, faceless bureaucracy - Whitehall, writ large only even more remote. We have our bureaucratic problems - who doesn't? - but the facts are that we administer the affairs of 250 million Europeans with fewer officials than the Scottish Office requires to look after 5½ million Scots. And of our 7,500-odd employees, about one-fifth are concerned with translation and interpreting: people who would not be needed in a single-language administration.

Second, there is no inherent contradiction, in my view, in transferring some national decisions to Brussels at the same time as you are decentralising other decisions from London to Edinburgh or Cardiff. Quite the reverse, in my view. There are some economic decisions which can now only be taken effectively at a multi-national level, while others are better taken nearer the grass roots than a central capital.

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But third, I hasten to add, that how any Member State of the Community deals with this modern dilemma of devolving decision-making is its own business - not ^{that} of the European Commission. We take the internal constitutional arrangements of our Member States as we find them - or as the Member State democratically decides to change them.

It is none of our business and we have enough problems of our own fulfilling our own obligations - and trying to persuade our Member States to fulfil theirs - in terms of developing the economic policies of the European Community.

I am specially responsible in Brussels, as you know, for the newest of the Community's funds, the new European Regional Development Fund, which began making its first grants only eight months ago. Of course I must preface anything I say about this Fund to this audience by making clear that the Fund's present statute at least,

which runs until the end of 1977, strictly limits its operations in the United Kingdom to the Assisted Areas. I shall say something of the future later. And, as between the various Assisted Areas, we are bound, again by statute, to give priority to the Development and Special Development Areas. Last year, as a result, 90% of the Fund's grants were for projects in these Areas, and in Northern Ireland, with the remaining 10% for the Intermediate Areas. The precise percentages are not immutable, and indeed the Intermediate Area proportion this year is so far running rather higher than in 1975, but it has to be said that we can take fewer projects in the Intermediate Areas, relative to population, than we can in the Development Areas. The less money one has, the more one needs to concentrate it on the highest priorities. The same goes for the other Community countries. The Italian government has actually gone so far as to decide not to send us any applications at all for its equivalent of Intermediate Areas.

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That said, it is in the United Kingdom, of all our nine member countries, that the local authorities are playing the biggest part in the new Fund. Your authorities are the biggest beneficiaries of the Fund apart from the Italian Agency for the Development of the Mezzogiorno. This is because of the welcome decision taken by the British Government, when the Fund started work, to pass on direct to the local and other public authorities concerned the grants the Fund makes to British infrastructure projects. This does represent an additional direct form of help to hard-pressed local authorities that they would not have received if there had been no Community Fund, or if Britain had not been in the Community.

In March I attended a ceremony in one of the most difficult problem ^{areas} of industrial South Wales. At that ceremony the local Mayor was, for the first time in Britain, handed a cheque on the European Regional Development Fund - for a first instalment of something over £100,000 to help provide the basic services for a new industrial estate.

The total of grants now committed from the Fund to the United Kingdom infrastructure works amounts to £36,891,000, compared with £19,615,000 for industrial projects. Nearly all the infrastructure projects are financed by local and, to some extent, other public authorities. I know of only one other of our Member States where the European Regional Fund's grants to local authority infrastructure projects are in fact being passed on by the government in this way: and that is the Grand Duchy of Luxembourg, where there is so far only one project concerned. The local authorities of Great Britain therefore have a special role in the Fund for which there is no comparable parallel in any other Member State.

Of course, there are those who ask why, if local authorities are to be the financial beneficiaries of the Fund, it should not be local authorities, rather than national governments, who submit applications to the Fund. There is an excellent practical reason for this which I hope you, as administrators yourselves, will be the first to appreciate.

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My department in the Commission for administering the European Regional Development Fund, committing £200 million this year in non-repayable grants in nine countries, and working in six languages, consists of about 40 people. Hardly a large establishment by British local authority standards. It is impossible for 40 people to do what would be necessary if applications could be submitted direct to the Commission by investors in all our Member States: that is, examine ab initio many thousands of competing applications for investment projects of which they have no particular specialised knowledge. The national administrations, on the other hand, are obliged for their own purposes to analyse the justification of projects or programmes before authorising them to go ahead and committing national government money to them. Our job is not to duplicate that analysis, for Eurocracy's sake, but to make our choice from a selection of the projects authorised nationally.

But the most important thing of all about the Regional Fund at the present stage is what I call the bonus principle - the principle that the money from the Fund should be spent additionally to what a recipient country would have devoted in any case to its national development expenditures. I choose these words carefully, and they do not mean that the Commission is in any way detracting from the need for restraint in public expenditure and even in local government expenditure on industrial infrastructure projects.

The issue is as complicated as it is important, and no-one should have expected it to be resolved overnight in every Member State. The Italian Government, in particular, has already set up first-class arrangements to demonstrate as convincingly as possible that its receipts from the Fund are indeed genuinely being used as a bonus, to finance projects that Italy on her own, in her very difficult economic situation, could not have afforded to start work on until next year or the year after.

This very welcome Italian decision is important not least because Italy is entitled to claim up to 40% of the Fund. The Danish government is following a similar procedure in respect of the Fund's grants for Greenland; which is significant because the Danish Government has substantial problems of its own in convincing the Greenlandic people of the value of membership of the Community. In Northern Ireland the Government has identified the provinces, ports and harbours as the additional beneficiaries from the extra national funds released by the Community grants.

These examples show how important it is to identify in concrete terms exactly what the money from the Regional Fund is being spent on. It needs to be shown plainly, in this sort of way, that Community money is not simply disappearing in a transfer of resources from one national exchequer to another. In this sort of way will be built up the evidence on which national Governments,

regional and local authorities and the Commission will form their political judgement in a year or so's time, on the success of the initial phase of the Fund.

Making a success of the new Regional Development Fund depends on the Governments of the Member States as well as on the Commission. I hope you will agree that regional and local authorities have a strong interest in maintaining their vigilance on the decisions taken by national governments in 1976, which can contribute so much to making the case in 1977 for a stronger and more flexible second stage of Community Regional Policy.

Besides the Regional Fund, there are other possibilities of financial assistance from the Community of which I hope British local authorities will take full advantage. Perhaps not everyone here knows that it is possible for local authorities to promote applications to our Social Fund for industrial training. This applies in particular in cases where existing training facilities in an area ^{are} not adequately covered by the Training Service Agency's

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skill centres. Money is available from the European Social Fund for specific local authority projects which go over and above what is already being done to train young people or adults for new employment. The other main condition is that the local authority should be committing resources of its own to the scheme, not just rate support grant or other government grants. So far only one authority, the Chesterfield District Council, has made an application of this sort to the Social Fund. I hope there will be more. Any Chief Executive here who thinks his authority has a qualifying project should get in touch with the European Community's London office and with the Department of Employment.

Then there is the European Investment Bank. Some British local authorities have already taken advantage of the opportunity this non-profit making Bank offers of loans at 9% interest. The snag, as most people know, is the foreign exchange risk. But provided you can insure against this risk with the Treasury, you will still

find it cheaper to borrow from the European Investment Bank than in the ordinary way from the Public Works Loan Board. Applications to the European Investment Bank need not be made via government; any prospective applicant can approach the Bank in Luxembourg direct.

1977 will be the year in which the European Community will decide on the future of its Regional Policy. The first stage, following the decisions taken at the December 1972 Summit, has been addressed to the problems of the predominance of agriculture, of industrial change and of structural under-employment. But between 1972 and 1977 the regional map of Europe will have changed in radical and unforeseen ways. As the tide of the present slump recedes, it is likely to leave behind new pools of unemployment in regions that were previously considered among the most prosperous. Eradicating these new pools of technological unemployment will be as difficult as the more familiar tasks of modernising an area of decaying and

declining industry, or attracting industry into an area of agricultural poverty and over-population. There is thus a need to develop new activities, or new aspects of old ones, which best promote structural reforms serving to expand employment. This will, I think, require a considerable change in the direction of emphasis of the Regional Fund, properly coordinated with other Community Funds.

It is not my business here to draw any lessons that these developments may or may not carry for the management of internal British Regional Policy. Disparities between the average levels of prosperity in the various regions of the United Kingdom remain, though they are less pronounced than in some continental E.E.C. countries. But as seen from Brussels, and as measured on a Community scale, there are now serious problems of low income and high unemployment in all parts of the United Kingdom. Even in the South-East of England

whose streets are supposed to be paved with gold, income per head fell below the Community average in 1972, and by the following year was already 10% below it. Added to this, all parts of the United Kingdom now have more than their fair Community share of a further regional problem: that of inner urban areas decaying under the influence of dereliction, depopulation and unemployment. Against this background, we have before us in Brussels the task of developing Community Regional Policy into a more equal partnership between Community and Member States than inevitably has been the case in the initial phase. However the details of the second stage of the Policy may turn out, one element is bound to be of great importance: the regional development programmes which, under Article 6 of the present Fund regulation, the Governments are to submit to us between now and the end of next year for each of their Assisted Areas. Regional development programmes are essential for us in Brussels to be able to identify the strategic priorities on which the Fund should concentrate in order to help promote intra-Community

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convergence in economic achievement, which is what our contribution to Regional Policy is all about. The development programmes for the British regions are bound to be influential in determining what types of project in Scotland, in Northern England and so on get Community grants and what not. I hope local authorities will appreciate the importance of these programmes - for their own finances, indeed, as it looks at present - and play their full democratic part in drawing them up.

Some elements in the Commission's strategy for the Regional Policy of the Community cannot help but take more time to be put into effect than ideally we should wish. But with the review of the Fund in 1977 ahead of us, the time is now short for all concerned to demonstrate, as the Commission for its part is determined to do, that the European Community is ready to assume, and discharge effectively, steadily greater responsibilities for promoting economic development in those regions of Europe without whose full participation in an integrated economy the purposes of the foundation of the Community can never be fully achieved.