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The Rt. Hon. George THOMSON

Member of the Commission
of the European Communities

Rue de la Loi, 200

1040 Brussels

Tel. 35 00 40 (Ext. 3886)

ADDRESS TO THE CONFERENCE OF LOCAL AND REGIONAL
AUTHORITIES OF EUROPE

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Galway, Ireland.

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Mr Chairman, Ladies and Gentlemen :

The importance of this first Convention of Regional Authorities from the peripheral areas of Europe has been made clear in the speeches we have already heard this morning.

I hope, therefore, that you will forgive me, Mr. President, if I begin by being somewhat repetitive. But on behalf of the European Commission I would like to make the point again and to congratulate the Consultative Assembly and the Conference of Local and Regional Authorities on their initiatives in convening it.

Europe has a number of different types of regional problems, with their differing causes. But undeniably some of the most severe are those found in peripheral regions where geographical and structural factors frequently combine to create a double disadvantage. The peripheral regions do not have identical problems but they have nevertheless much in common and, if their representatives can work together, they will clearly be able to present their case the more effectively and forcefully.

And it is clearly not an accident that you have chosen this part of Ireland in which to hold this first Convention. I spent much of yesterday touring parts of Galway with the Minister for the

Gaeltacht, Mr. O'Donnell, and last year I did a tour of the neighbouring County Mayo. The whole area is indeed a classic example of a peripheral region, suffering from distance from major centres of population and major markets (both within Ireland itself and within the Community), inadequate infrastructure, declining rural activity, lack of industry, high unemployment and high emigration with all the unfortunate consequences which this has for the population structure. But there are also examples of what can be done to improve the situation.

In North Mayo, for example, I saw three new industries - oil and textile based - being established where no industry at all has existed before. I also visited the Shannon Airport project. The combination of a dynamic Industrial Development Authority at the national level and local authority initiatives has begun to make some headway. I am particularly impressed by the work of the county development teams in the West of Ireland, which seems an excellent example of the way local authorities can work. But much, very much still remains to be done, that is abundantly clear.

In my view, Opinion 17 of the European Conference of Local Authorities is absolutely right to stress the prime importance of local and regional action and initiative. I am certainly not going to claim that we in Brussels can offer any magic formula for solving problems overnight. Indeed, no such formula exists anywhere. What we seek to do is to add to the combined effort of local, regional and national authorities a Community effort.

May I at this stage, Mr. Chairman, say a little about the stage we have reached with the Community's new Regional Development Fund. Things have, as you know, moved on since I had the honour of addressing the European Conference of Local Authorities on the subject in Strasbourg in September of last year. We can now say that we are in business - in a modest way perhaps, but seriously in business none the less.

Some people affect to play down the Regional Development Fund. It will only bring in the odd hundred million pounds, they say. Only £750 million to be exact. Of course I would have liked more. But it is absurd to sneeze at £750 million. The problem regions of the Community need all the money they can get.

I am an old journalist and politician, but I never reached that level of Olympian detachment that allows some in press and national parliament, and even amongst hard headed practical members of local authorities, to shrugg off £750 million as peanuts or chickenfeed. There can be no doubt that, at a time of recession, the Community contribution will enable developments to take place that would simply not take place if there were no Community fund.

Moreover, the European Community's regional expenditure is not to be measured simply in terms of the new Regional Development Fund. It is only the latest instrument - potentially important one in a whole battery of financial weapons which bring help from Brussels to the problem regions of Europe. The Agricultural Funds have big regional implications and ought to have a more conscious regional impact.

For example the Community's new hill-farming grants are worth an extra £40 million for some of the poorest agricultural regions in the whole Community.

Aside from the money, this proposal of the Commission is interesting for it marks a new departure. One of the main principles of the Community's Common Agricultural Policy is that farm incomes are maintained at a satisfactory level by the system of common prices. That principle continues, but the "hill farming" proposal offers something else: direct income support for farmers. This idea, as you may well know, has not up to now been so widely accepted on the continent as in Ireland and Britain. The Commission has said in its Stocktaking of the C.A.P. that it is ready to consider extending this idea to new fields.

As I have shown, the C.A.P. is therefore more than merely a mechanism for guaranteeing prices to the producer. It has, for example, a dynamic forward-looking component in the Guidance Section of the FEOGA agricultural fund. The Guidance Section will distribute over 300 million units of account this year - which, translated into old-fashioned pounds sterling, means over £120 million. Part of this money is used for the improvement of agricultural marketing schemes, part for the improvement of farm structures and of essential services and infrastructures. Grants and, in some cases, cheap loans are available. Another part of this money will be available to small farmers who wish to retire, so that their holdings can be amalgamated with neighbouring ones. This procedure was brought in under the revised Mansholt Plan, and provides retiring farmers with an annual pension which varies according to qualifications and age. Finally, a part of the money allocated can be given to industrial undertakings in the agricultural sector or food firms. Projects approved by Brussels generally receive 25% of total funding from the Community, indeed in some cases it can be as high as 45%. Thus in recent years FEOGA has financed, among other things, cheese processing factories, deep-freeze installations for vegetables and expansions of rice plants.

This underlines the fact that in our interdependent society the rural regions cannot be seen in isolation. When the Community was enlarged in 1973, the Heads of Government went out of their way to stress the need for an integrated approach to regional policy by calling for "the correction of the main regional imbalances in the enlarged Community and particularly those resulting from the preponderance of agricultural and industrial change and structural underemployment".

Thus, measures to ease congestion in our urban areas, to encourage decentralisation of industry, should be planned with the requirements of the rural regions in mind. Similarly any decisions to create major economic growth points must make due allowance for an adequate diffusion of such growth to the surrounding rural area.

In this connection, there is the European Investment Bank, which provides massive resources for basic development projects in both agricultural and industrial areas. There is the Social Fund, which concentrates its retraining activities in the areas where the human problem of unemployment is worst. And there are the oldest Community funds of all - the Coal and Steel Funds - available to provide both training and new jobs in new industry for redundant coal and steel workers.

Together these provide a totality of resources spreading far beyond the Regional Development Fund. Perhaps I may be allowed to illustrate this by giving a rough balance sheet of how the Community's regional policies as a whole work in respect of our host country, Ireland, which is unique amongst the Member States of the Community in having the whole of its national territory designated as an underprivileged region against Community-wide perspectives.

I was heartened to see in a recent report issued by the Irish Government that Ireland has derived such a large net financial benefit from Community membership. In the 2½ years since accession, Community grants accorded to Ireland exceeded £155 million as against payments to the Community of about £15 million, a ratio of somewhat more than 10 to 1. While a large part of the money received by Ireland related to price supports from the Agricultural Fund, this transfer of resources must be seen as a factor contributing to development of Ireland's economy, which is a single region in the European context. Sizeable sums have also been paid from the Social Fund - £13 million - which is very strongly influenced by regional needs. So too are the loans totalling £32 million from the European Investment Bank and the European Coal and Steel Community and, indeed, if these were added to the grants figure of £155 million, which I have mentioned, the benefit ratio would be even greater than 10 to 1, - and all this before the new Regional Development Fund is taken into the reckoning at all.

It seems to me that transfers of resources on this scale must surely be regarded as a concrete expression of the commitment to the development of the more needy regions of the Community.

The point I am seeking to emphasise is that what the birth of the ^{REGIONAL} Fund this year has done has been to give a new impetus to coordinating the work of these various Community instruments to try to ensure that they work together as part of a coherent Community regional strategy. Coordination, like charity, begins at home as far as the Commission is concerned. This means both seeing that the Community's other financial instruments - Social Fund, Agricultural Fund, ECSC funds, EIB - take account of regional criteria when allocating aid, and also that overall Community policies in such fields as agriculture, energy, transport, social policy, competition, take account of regional needs too. New machinery is being created inside the Commission for this purpose. It should be possible at regular intervals to monitor the degree to which Community expenditure - agricultural, social and industrial - conforms to agreed regional priorities.

Secondly, the Regional Development Fund is encouraging member governments to have comprehensive programmes of balanced development in place of regional policies which are often piecemeal and operate in relation to passing political or other pressures. Indeed, after 1977, it will be a condition of grants from the Regional Fund that projects conform to national programmes of development that have been agreed by the Member Governments of the Community as a whole.

The Commission would clearly have liked to have greater means of action at our disposal. As you know, we asked for more than the Council of Ministers finally gave us - both in terms of money and of the possibility of working directly with the appropriate bodies at local and regional level. But it is rare in democratic politics to get all you want at the birth of a new policy. What is important is to have the chance to add a new dimension to Community activity - and to show in practice that worthwhile results can be produced. Community Regional Policy

is still a very young and tender plant. We shall have to nurture it with care and with persistence. And if it is to grow, as I hope it will, we in Brussels shall need all the support we can get from you.

However, as I have said, I really do not feel I have to be too modest here. Leaving aside the Guarantee Section of the Community's farm fund, which is of a different nature altogether, the Regional Fund in fact compares favourably with most of the Community's other "structural" funds - the European Social Fund, the Guidance Section of the farm fund, and the European Development Fund, which channels aid to associated developing countries.

I would also remind you that we managed to get the Fund approved during a period of great economic difficulty, amid much talk of public expenditure cuts. This is, I feel, no mean achievement. And it augers well for the future. I am confident that when in 1977 we have to negotiate the size of a new Regional Fund, in economic conditions which I hope and believe will be at least somewhat easier, we shall get an increased Fund.

I should say a word perhaps about the cuts made in the Regional Fund by the Council of Finance Ministers last month, since they received wide press publicity. In fact the Fund, which is authorised to commit 1,300 million units of account over three years, as agreed by the Heads of Government at their Summit meeting at the beginning of the year, remain untouched.

The Heads of Government also agreed on the size of the commitments to be made under the Fund each year, and the 500 million units of account that can be committed during 1976 remains intact despite the present budget difficulties. What is at issue is the amount of money which will be actually paid out during 1976. This is a practical administrative question as well as a budgetary one, since it involves

a different judgment of how big a proportion of the projects to which the Fund is committed reaches the point of development during 1976 when the actual payments are made. There is always a necessary time gap between a commitment to a development project and the project reaching the stage of achievement where the payment is made.

The Fund was finally approved in March of this year. The many technical and administrative details were settled during the spring and early summer, culminating in a preparatory meeting of the Fund Management Committee in July. Applications arrived at the Commission during August and September. These have been processed and submitted to the Management Committee, which is having its first normal meeting in Brussels at this very moment to consider them. The Management Committee, as you know, is composed of national government experts and chaired by the Commission. Once the Committee's views on the applications are known to us, which will be tonight, the Commission will give final approval within a day or two. In view of the meeting today, I know you will understand that I cannot give you details here and now of what projects will be benefiting from this first allocation. But we hope to make this public within a few days.

Indeed, I would like to take this opportunity of giving a pat on the back to my officials in Brussels. Because of a dispute between Parliament and the Council of Ministers, the Commission were not given the final green light to go ahead with the Fund till mid-year. They have had to face doing the first twelve months' work in little over six months. Applications for aid for some 600 projects, accounting for about half of the money ear-marked for 1975; have been received since mid-August. The work of processing them has been considerable, and on this first time round there have been inevitable running-in problems. Many of my staff gave up their summer holidays to do it,

but the lot will have been done and the decisions taken within about two months from start to finish. Which is not bad going, especially when you remember that it all has to be done in six languages.

And I am afraid there won't be a rest for the staff next week either, since the second round of applications is now due in, to be processed in time for the next Management Committee meeting in early December, so that the Commission can approve them before Christmas. We hope to maintain the rhythm whereby grants are approved within two or three months. Actual payment of the grant is a different matter, and the timing of this is not under the control of the Commission, because in most cases payment dates are determined by the progress of the project itself and by the timing of payment of national aids.

May I now, Mr. Chairman, leave the Regional Fund and turn to the wider question of regional policy in general, since the Fund is but one instrument. Here too we are at the beginning. The Regional Policy Committee, which, like the Fund Management Committee, held a preparatory meeting in July, had its first proper meeting last week.

The Committee has very wide terms of reference and can look into any matter relating to regional development.

Last week it had three main points on its agenda. First there was the question of regional development programmes. You will remember that from the end of 1977 the governments are required to submit development programmes for all regions for which they seek Fund aid. (Until the end of 1977 a more limited "annual information"

is permitted on the situation of the region and the objectives and means set out for its development.) We see these development programmes not only as necessary in order to assess whether given projects submitted for Fund assistance will really contribute towards the permanent development of the area, but also as an instrument for helping coordinate national regional policies. The Regional Policy Committee got off to an excellent start and was able to approve an agreed outline of what these programmes will cover.

Second, the Committee heard statements by the Member Governments on how they interpret their obligation to ensure that the Fund works out as a bonus to what national governments spend on their own development policies, and how they propose to implement this. As I am sure you are fully aware, it is essential if Community Regional Policy must have any impact, that Fund contributions are additional to the national effort and not just a part-replacement of them.

Thirdly, the Committee has under the Fund regulation to be consulted on all grant applications relating to infrastructure projects costing over 10 m.u.a. The first such consultations also took place at last week's meeting, and the projects concerned have now been passed on to the Fund Management Committee in the normal way.

There are, of course, many other subjects which we shall be putting before the Committee over the coming year or two. For example, the comparison of national aid systems; disincentive measures in areas of heavy concentration; trans-frontier problems; the encouragement of investment by improved Community-wide information system. After the views of the Regional Policy Committee have been sought, the Commission will present proposals to the Council of Ministers aimed at the coordination of national regional measures and it will propose the creation of new

Community instruments wherever they are found necessary.

Opinion 17, on Community Regional Policy, stresses, as I said earlier, the central role which the region itself must play in its own development. It also expresses great concern that the region is largely excluded from the formulation of Community Regional Policy. The regulation says that the Committee may seek the views of regional bodies. As I told the Conference of Local Authorities last year, I would have preferred something more mandatory. But we have to be realistic. The Community cannot intervene in the relationships between national and regional or local authorities. We have to accept constitutional arrangements as they are.

Having said this, you may like to know that the President of the Committee intends to convene a first meeting between himself and representatives of regional and local authorities (that is the Council of European Municipalities, the International Union of Local Authorities, and your Conference). This will be an exploratory first meeting, and we shall have to see how matters develop. But it is a useful step forward.

Quite apart from that, the Commission itself has, of course, extensive contacts with various regional development bodies, and this will clearly continue. Our door is always open.

Your Opinion also expresses concern that our regional policy is too economic and does not take enough account of other factors. But I must repeat again that our regional policy is very much in its infancy. Do not judge it too harshly yet. And in any case we in no way neglect the social and environmental aspects of regional policy. Indeed, to my mind the aim of regional policy is not to create economic activity for its own sake.

Economic activity has a point, a purpose, only because without it one cannot achieve improvements in standard of living and quality of life. This is surely true at all levels. Conversely, the relative lack of economic activity in the less-favoured regions is the cause of most of their social ills. So it does seem to me right that our regional policy should concentrate on economics - but economics as a means not as an end.

You are also worried that our policy is too modest and too pragmatic. As I said a few minutes ago, none would be happier than I to see more ambitious proposals adopted. But we have to be realistic, both politically and economically. You cannot run before you can walk in these matters. I hope very much that we can guide things in the direction of a much more comprehensive regional policy for the Community. But I am sure we cannot achieve this overnight, and I would be against adopting grandiose plans stretching far into the future.

The difficulties of this sort of blueprint for the future are firstly that we cannot know what the economic conditions of 1980 or 1990 will be. We have seen the plans for Economic and Monetary Union by 1980 thrown out of the window, because the hopes of only a few years ago have been shattered by events. I would think it would be not only wasteful, but dangerous too, to invest a lot of time, effort and credit in a grand regional plan, and for three reasons. First, I don't believe the Governments would treat it seriously. Second, we could not guarantee that it would wear better than the E.M.U. plan. And third, it would raise expectations on the population of the less-favoured regions which, if not fulfilled, could lead to extensive disillusionment with the Community as a whole - which in turn could only strengthen those forces which still,

wrongly in my view, see the national dimension as capable of solving all problems. Much safer and surer - and I suspect in the end no less quick - is to proceed step by step.

It is not plans and treaties, but political will which will determine the future of our Community, on regional policy as in other fields. And our task, the difficult task of all of us, must be to create and sustain that essential but elusive political will.