The United Kingdom delegation has provided details of new measures, designed to stimulate industrial and regional regeneration in the United Kingdom, which were announced by the Chancellor of the Exchequer on 21 March 1972. Accordingly, the United Kingdom reply to the questionnaire (GATT/AIR/859) contained in pages 20-42 of COM.TD/W/152 has been amended to take account of this development. The revised version is reproduced in the following paragraphs.

In supplying the following information, the United Kingdom delegation pointed out that there is no legislation in the United Kingdom at present operated specifically to assist industry to adjust to increasing imports from developing countries. The information given therefore shows the general measures at present in force in the United Kingdom, including provisions to assist the diversification of industry in certain areas and the adaptation of industry to changing conditions, which are not, however, directly related to the problems which may be caused by increasing imports from developing countries.

A. Measures available

(i) Information on specific or general legislation concerned with adjustment assistance

1. As the first major country in the world to industrialize, the United Kingdom has been faced throughout this century by the problems of adapting its industrial structure to take account of changes in the pattern of demand, technological change and competition from other countries. Some industries have declined, others have expanded. The older-established industries - iron and steel, shipbuilding, textiles - have naturally taken the main brunt of change. These industries tended to be set up on or near the major coalfields, many of which are in the peripheral areas of the country, whereas the more modern growth industries tended to establish elsewhere.
The decline in importance and employment in our older industries has therefore given rise to serious problems of unemployment, low incomes, outward migration and slow growth in the areas where they are located, at the same time as they have left a legacy of outworn industrial housing, dereliction and a decayed environment. Government policies have been directed in the main to dealing with these problems in regional terms and have attempted to diversify the industrial structure of the areas worst affected by the decline of their traditional industries - mostly areas dependent on coalmining, iron and steel, shipbuilding and some of the heavy engineering industries.

2. The areas where the bulk of Britain's textile industries are concentrated have not since the last war experienced heavy and persistent unemployment, although growth has been somewhat slower than in the rapidly expanding areas of the country, and the problems are more serious in the remoter textile areas which have little alternative industry and whose remoteness may deter incoming firms. The only instances in which the United Kingdom has used legislation specifically to assist an industry adjust to increasing imports from developing countries are the Cotton Industry Act of 1959 which provided for a five-year period of reorganization and rationalization in the cotton industry, and the much more limited case of the 1970 scheme of financial assistance for modernization and re-equipment of the cotton and allied textile industries. (See Annex A.)

3. Although policies have been evolved for individual industries to moderate the pace of change (for example, the closure of some uneconomic coal mines has on occasions been delayed for short periods to avoid the sudden creation of large pools of unemployment) and to assist the declining industries to become more competitive (e.g. as comprehensive policy to promote the modernization of the shipbuilding industry), successive governments have sought to avoid policies merely designed to shore up declining industries. The solution of the problems of areas heavily dependent on declining industries has been seen primarily in terms of creating profitable and expanding enterprises in alternative industries, which will provide a new impetus to growth in areas and the additional employment which they need. In addition to these policies of stimulating industrial development, policies have been pursued of rehabilitating and renewing the environment and providing a modern infrastructure.

A(ii) Main provisions of legislation and criteria for qualifying for adjustment assistance

REGIONAL INDUSTRIAL DEVELOPMENT IN THE UNITED KINGDOM

1. A dual policy of controls and incentives is used to encourage a balanced pattern of regional industrial development in the United Kingdom.
INDUSTRIAL AND OFFICE DEVELOPMENT CONTROLS

2. Industrial development certificates are not required in the special development and development areas. Elsewhere industrial developments of over 15,000 sq. ft. of floor space (over 10,000 sq. ft. in the South East Economic Planning Region apart from the Isle of Wight) require a certificate from the Department of Trade and Industry before any application for planning permission can be considered. Certificates are issued only if the Department is convinced that the development in question can be carried out "consistently with the proper distribution of industry". In considering applications the Department is required to have particular regard to the need for providing appropriate employment in the assisted areas. Normally, in practice, a certificate may be refused for projects outside the assisted areas unless the Department is satisfied that the project could not reasonably be undertaken in such an area or in Northern Ireland. The control is also used to encourage the dispersal of industry from the over-crowded conurbations to the new and expanded towns being developed to take overspill population.

3. The Department of the Environment administers the control of office developments under the Control of Office and Industrial Development Act 1965. This currently applies to developments of over 10,000 square feet in the South-East of England.

INCENTIVES FOR INDUSTRIAL DEVELOPMENT

4. The Chancellor of the Exchequer in his Budget statement on 21 March 1972 presented the broad framework of the Government's new and comprehensive programme to stimulate industrial and regional regeneration. The objectives of the programme are to promote and sustain faster economic growth; to secure the expansion and modernization of British industry, and to attack the continuing and serious problems of regional imbalance. The new measures are set out in the White Paper 'Industrial and Regional Development' (Cmnd 4942) and many of them will be given legislative effect by the new Industry Bill published on 11 May.

5. The changes include the extension of free depreciation on plant and machinery, in the form of a 100 per cent first-year tax allowance, to cover the whole country (previously available only in the development areas). The initial allowance for industrial buildings of 40 per cent has also been extended to all parts of the country. These tax allowances will be given on the full capital expenditure even when part is financed by grant.

6. The Industry Bill empowers the Secretary of State to make Regional Development Grants. These will supersede the building and operational grants at present available under the Local Employment Act. In all assisted areas and for two years (until 22 March 1974) in derelict land clearance areas, grants will be available towards capital expenditure on new buildings (including adapting existing buildings) on qualifying premises i.e. those occupied wholly or mainly for carrying on qualifying activities in manufacturing, mining and construction. In the development and special development areas grants will, in addition, be available towards capital expenditure on new plant and machinery and mining works for use in qualifying premises. The rate of grant will be 22 per cent in the special development areas and 20 per cent elsewhere.
7. The Bill also replaces the existing powers to provide selective assistance under the Local Employment Act. In the past, these powers have been available only in the special development and development areas and have been limited to projects providing additional employment. The new powers on the other hand will be linked to the provision, maintenance and safeguarding of employment and will allow assistance to be given for the modernization of industry and for certain other purposes in the assisted areas. This assistance may be given on any terms and conditions and in a wide variety of ways — investment (with the consent of the company), loans with or without interest, grants or guarantees. The Bill provides in certain circumstances for Government financial assistance to be given outside the assisted areas. These powers are subject to important safeguards. Financial assistance will be payable only if it is likely to benefit the economy, is in the national interest and is not available from the private sector.

8. The Regional Employment Premium will continue to be paid in the special development and development areas (£1.50 in respect of male employees in manufacturing industry with lesser amounts for females and juveniles). This will be phased out over a period from September 1974. The Department of Employment training and resettlement measures are dealt with under A(vi)(b) below.

ASSISTED AREAS

9. As referred to in the above paragraphs, regional assistance measures are based on a pattern of priorities determined by four categories of assisted areas.

Special development areas

Originally created in 1967, to tackle the problem of parts of the development areas where colliery closures were expected to cause acute unemployment problems; special development area coverage was extended, in February 1971, to include a number of the older industrial conurbations in the Northern, Scottish and Welsh development areas, which had for some years been exhibiting disturbingly high and persistent levels of unemployment.

The development areas

Five broad areas covering most of Scotland and Wales, the whole of the Northern Region, Merseyside, and most of Cornwall and North Devon, were designated as development areas under the Industrial Development Act 1966.

The intermediate areas

Certain other areas with less acute problems, but where rates of economic growth have given cause for concern (including North-East Lancashire, a textile area where there is little alternative employment) were designated as "Intermediate areas" under the Local Employment Act 1970. These were Edinburgh, North-East Lancashire, North Humberside, Yorkshire Coalfield, Bridlington/Filey,
Notts/Derby Coalfield, Oswestry, South-East Wales and Plymouth, Okehampton and Tavistock. In March 1972 these areas were extended to include the unassisted areas of the North West and Yorkshire/Humberside regions and Wales.

The derelict land clearance areas

These areas cover parts of the country where there is a relatively large amount of derelict land as a result of early industrial activity and where removal of dereliction is necessary to create the right amenities for new industrial development. Grants are given for clearing such land and these are also obtainable throughout the assisted areas listed above. The derelict land clearance areas are not treated as assisted areas for the purposes of regional selective assistance (paragraph 7 above) but 20 per cent regional development grants towards building expenditure are to be given there for two years. At present the only derelict land clearance area is parts of the North Midlands.

A(iii) How are measures aimed at granting adjustment assistance initiated. Is there machinery available, either formal or informal, to anticipate the need for adjustment assistance or to make information available to industry which would enable it to consider the need for action?

1. Responsibility for deciding what areas should have assisted status rests with the Secretary of State for Trade and Industry. The criteria for designating special development, development and intermediate areas are embodied in the Industry Bill. The Secretary of State is required to take account of "all the circumstances actual and expected, including the state of employment and unemployment, population changes, migration and the objectives of regional policies". Once areas have been designated the measures of automatic assistance immediately become available.

2. Derelict land clearance areas are also designated by the Secretary of State for Trade and Industry under Section 8(6) of the Local Employment Act 1972. He is required to form the opinion that grants towards the removal of dereliction in those areas are appropriate "with a view to contributing to the development of industry in the locality".

3. Selective assistance is not given automatically to any undertaking or any particular area, although regional selective assistance is confined to special development, development and intermediate areas. Responsibility for determining when selective assistance should be given is invested in the Secretary of State for Trade and Industry under criteria in the Industry Bill.

A(iv) To what extent is action initiated at the national level supported at the regional or municipal level?

Local authorities are able to support efforts at the national level to promote industrial growth in the assisted areas in a number of ways, e.g.
(i) Control over the use of land for industrial purposes by the exercise of their statutory planning powers, subject to the provisions of the approved development plans and to overriding decisions by the Secretary of State for the Environment in certain cases.

(ii) The purchase of land to sell or lease for industrial development.

(iii) The development of industrial estates, including the building of factories and ancillary works such as roads and sewers.

(iv) The granting of mortgages for the building of factories.

(v) Publicity to promote industrial development.

At the regional level, broad economic and physical planning strategies will be prepared for each region to provide a framework both for the statutory planning work of the local authorities and for policy and investment decisions by central Government. The preparation of these strategies will be a tripartite exercise involving elements of both central and local Government and the regional planning machinery of Economic Planning Councils and Boards. The strategies will identify the main characteristics and problems of the regions and help to determine the most suitable pattern of economic and physical development.

A(v) What agency or other authority decides on the need for adjustment assistance and what are the arrangements for administering the implementation of adjustment assistance programmes?

This is primarily the responsibility of the Department of Trade and Industry. The Department of Employment is responsible for training policy.

A(vi) What methods of adjustment assistance are available?

(a) In what form is financial assistance provided to business enterprises (e.g. by the way of grants, advances, guarantees, reduced interest rates, tax concessions, accelerated depreciation allowances)?

(b) What adjustment assistance is extended to labour, e.g. social assistance, redeployment, retraining of labour?

A(vi)(a): See A(ii) above.

A(vi)(b) Industrial training in Great Britain

1. Under the Industrial Training Act 1964 Industrial Training Boards were set up in order to ensure training of a quantity and quality adequate for the needs of the industries for which they were established. There are now twenty-seven Industrial Training Boards covering 15 million workers. The analysis of training requirements and the production of training recommendations are among the activities of the Boards, which are financed almost entirely by levies on employers in their respective industries. About £200 million a year is currently raised by levies, over 90 per cent of which is paid back to employers in grants towards approved training.
2. Although most training is carried out in and by industry, the Government also provides or arranges training under the Vocational Training Scheme which is administered by the Department of Employment under the Employment and Training Act 1948. Government Training Centres, of which there are fifty-two at present in Great Britain with a capacity for turning out some 17,000 trained men a year, make a substantial contribution to the provision of trained workers for industry. There are twenty-nine Government Training Centres in Development and Intermediate areas which have a capacity to produce about 9,000 trained men annually.

Training for the future

3. On 1 February 1972 the Department of Employment published a consultative document entitled "Training for the Future - A Plan for Discussion", which reviews the work of the Industrial Training Boards and the Government Vocational Training Scheme and makes proposals for a massive expansion of opportunities provided by the Government for people to train for new jobs. Under the proposals the Government intends to expand and develop its Vocational Training Scheme into a new Training Opportunities Scheme which will offer much wider opportunities to men and women who wish to acquire new skills. In 1971, 18,402 were trained under the Vocational Training Scheme, of which 12,759 completed standard courses at GTCs, 3,816 received training at colleges of further education and private colleges, and 203 were trained in employers' establishments. The cost of running the Scheme is about £25 million a year. The aim under the Training Opportunities Scheme is to raise the annual number of trainees to 60-70,000 a year by 1975 and to 100,000 a year as soon as possible thereafter. Between July 1971 and February 1972 the number of trainees actually in training under the present Vocational Training Scheme rose from 8,932 to 14,205. As part of the expansion scheme 3,000 additional places are being provided in vacant industrial premises, near to Government Training Centres and the planned programme for building new centres is being expanded. By 1975 there will be sixty-four GTCs with over 17,000 places as opposed to fifty-two at present with 11,000 places.

4. The consultative document contains also the following two main proposals:

(1) The phasing out after 1972/73 of the Industrial Training Board levy/grant system, to enable boards to concentrate on advisory and standard-setting work but with selective grants to give a stimulus to key training activities; and

(2) the establishment of an independent National Training Agency, responsible to the Secretary of State for Employment for all training activities, running the Training Opportunities Scheme and co-ordinating and complementing the work of the Industrial Training Boards.
The proposed Agency would run the Training Opportunities Scheme, co-ordinate the work of the Boards, provide advisory services and set training standards for employment not covered by the Boards and for occupations which cut across industrial boundaries. Special attention would be paid to management training. The Agency would also finance the work of the Boards and employ the staff required to carry out their programmes.

5. It is estimated that the annual running cost of the Training Opportunities Scheme in 1975 would be about £60 million, and the operating costs of running the selective grants scheme of assistance to group training schemes and providing advisory services might be between £25 and £40 million a year. The Agency would be financed by a grant in aid from the Department of Employment.

6. The Government intends to proceed with the expansion of the Vocational Training Scheme into a Training Opportunities Scheme, but all the other proposals in the document "Training for the Future - A Plan for Discussion" are for consultation and discussion until the end of May. Legislation necessary to implement the decisions eventually reached will be introduced in the 1972/73 session of Parliament. One important decision that will have to be taken under the proposals is whether the National Training Agency should remain as a "departmental agency" within the Department of Employment or as a separate "hived-off" body with its own budget and staff. The Government favours hiving-off, but the agency's general policy objectives would still remain the responsibility of the Government.

Financial assistance to firms providing training

7. The Department of Employment provides a wide range of assistance to firms training workers for additional jobs in development and intermediate areas. This assistance may take the form of financial or direct assistance with training or both, and is available to firms who are providing extra jobs by moving into a development or intermediate area, or by expanding the labour force of a business already there. Financial assistance is mainly in the form of weekly grants at the rate of (from 6 March 1972) £15 for men, £12 for women, £8 for boys and £7 for girls. Grants are payable for a period not exceeding fifty-two weeks agreed between the Department of Employment and the firm which allows time for a trainee of average ability to acquire the basic skills and knowledge required for the job. Most grants are in respect of training below the skilled level and are therefore for fairly short periods. The average grant period is about ten weeks for men and eight weeks for women.

8. Direct training assistance includes the services of a Department of Employment instructor to organize the training of new workers for production processes and intermediate skills (engineering and allied trades) and to assist in training the firm's instructor to take over the training; and the provision of free instructor training courses or training within industry programmes.
The following are figures of Government expenditure in the year 1970/71:

For the whole of Great Britain

<table>
<thead>
<tr>
<th>Type of training</th>
<th>Numbers trained (1 January - 30 June 1971)</th>
<th>Cost (For 1970/71 financial year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government training centres</td>
<td>8,244 (including 2,015 sponsored employees)</td>
<td>£19.5 million (including £4.9 million borne by other Government departments)</td>
</tr>
<tr>
<td>Other government vocational training courses</td>
<td>1,230</td>
<td>£1.3 million</td>
</tr>
<tr>
<td>Training grants in development and intermediate areas</td>
<td>56,000</td>
<td>£5.7 million</td>
</tr>
</tbody>
</table>

Training of the older unemployed

9. The Department of Employment also operates a scheme under which grants may be paid to employers in Development and Intermediate Areas who are prepared to train and continue to employ workers aged 45 and over who have been unemployed for at least eight weeks. The weekly rate of grant is £15 for men and £12 for women for an agreed period of basic training not exceeding twenty-six weeks. The purpose of the scheme is not intended in itself to generate more employment but to give older unemployed men and women in the development and intermediate areas a better chance of getting a job that is available.

Retraining of redundant workers

10. On 6 March 1972 a new scheme was introduced, and is operated by the Department of Employment, to encourage the retraining of workers in development and intermediate areas who might otherwise be declared redundant. Under this scheme grants are available to firms in such areas to retrain workers who they would otherwise have had to declare redundant (provided that the workers are not declared redundant on completing the training). The rates of grant are the same as those shown in paragraph 7 above. The grant is payable for a period of not less than two weeks or more than twenty-six weeks. The minimum number of workers for which grant will be offered is twenty-five, or twenty-five per cent of the labour force, whichever is the less.
Transfer assistance

11. There are three transfer schemes in Great Britain (Northern Ireland have their own) which provide some financial assistance to certain limited categories of workers towards the cost of transferring to work in other areas. They are:

(1) Employment Transfer Scheme;

(2) Key Workers Scheme; and

(3) Nucleus Labour Force Scheme.

12. The Employment Transfer Scheme came into operation on 5 April 1972. Like the Resettlement Transfer Scheme which it replaced, it is designed to help unemployed workers to move to jobs beyond daily travelling distance of their homes. Permanent and temporary transfers to other areas are assisted. The scheme applies to transfers anywhere in Great Britain and for moves originating in Development and Intermediate areas there are enhanced benefits and relaxed eligibility conditions. Substantial rehousing grants are available to persons taking work away from home on the completion of a course of vocational training.

13. Under the Key Workers Scheme the Department of Employment gives assistance where appropriate, towards the transfer expenses and cost of household removal of certain key employees who move with their employers to a project being set up with Department of Trade and Industry assistance in a Development or Intermediate Area. Under the Nucleus Labour Force Scheme some assistance is also given to unemployed workers recruited in areas of high unemployment who are temporarily transferred to their new employer's parent factory for training.

A(vii) What are the sources of funds for adjustment assistance?

Government funds, and local authority funds to a minor extent. In specific cases, the industry itself has contributed funds, e.g. the cotton textile industry (see B(v)(a)).

A(viii) Is consideration being given to the strengthening of available measures for adjustment assistance or the introduction of new measures, having regard to such factors as continuing changes in the pattern of world trade including those which might result from actions to facilitate trading opportunities for developing countries?

The regional industrial policies of the United Kingdom are instituted in response to the overall effect on particular geographical areas of the whole range of economic factors, of which the changing pattern of world trade is only one. In a given situation it is rarely possible or relevant to distinguish between the latter and other causative factors. Regional industrial policies are kept under continuing review; however, in the past year, far-reaching changes
have been made in assisted areas coverage and in financial incentives and although the Government of course always has a wide range of options under consideration, no further changes are contemplated at present. Consideration is given to the possibility of providing adjustment assistance to particular industries (c.f. the cotton industry - see Annex A) which may face problems as a result of increased imports or other factors, as the need arises.

A(ix) Have any reviews been carried out of measures taken to facilitate adjustment and has it been found necessary following any such reviews to introduce changes in order to secure more effective results?

The evaluation of distribution of industry policies, particularly in the short term, is made difficult by the simultaneous action of other forces within the economy. However, they have resulted in a substantial expansion of jobs in the assisted areas, and most of the new employment promises to be more continuing and secure. Measures are kept under continuing review and improvements have recently been made.

B. Measures applied

(i) Where measures of adjustment assistance have been applied, is it possible to distinguish between their use for dealing with changes in import patterns including those resulting from trade negotiations, etc. from the use made of them for assistance to industry to adjust to changes resulting from technological developments and other economic factors bearing on the industry's competitive position?

See B(i) and B(iv)(a) in Annex A.

Regional industrial policies provide for assistance to areas suffering from regional disparities in employment and economic growth, whatever the cause.

B(ii) The extent to which adjustment assistance measures have been taken or are being applied in specific geographical regions to encourage diversification away from the production of goods subject to import competition:

Regional industrial policy takes the form of aid to specific geographical areas to encourage industrial diversification.

B(iii) Identify products or sectors of industry in respect of which adjustment assistance measures have been applied. To what extent are these sectors of interest to developing countries?

As explained in Annex A, adjustment assistance has been given to the cotton textile industry, which is, of course, of special interest to developing countries. (See also Annex B on the jute industry.)
Assistance under regional industrial policy is given for the benefit of geographical areas, and the incentives are available for any industry prepared to move to or expand in these areas. Attached at Annex C is a table analyzing by broad categories of industry the financial assistance offered in the year ended 31 March 1970 towards the provision of employment under the Local Employment Acts only. Naturally it is the newer and more rapidly expanding industries, rather than those that are having difficulty in competing, which are more likely to contemplate such expansion.

B(iv) To what extent, if any, is adjustment assistance used
   (a) to facilitate trade liberalization in respect of items under restriction?
   (b) to provide for larger market opportunities for products exported by developing countries?

B(iv)(a)

To the extent that it lessens the dependence of an assisted area on an industry or firm whose products are the subject of import restrictions, regional industrial policy may ease the path to further liberalization. (See also Annex A.)

B(iv)(b)

Regional industrial policies are not used for this purpose, but indirectly they may help to enlarge the export market for developing countries. (See also Annex A.)

B(v) Level of funds spent, showing separately amounts used for:
   (a) assistance to industry (e.g., by way of grants, advances, guarantees, reduced interest rates, tax concessions, accelerated depreciation allowances) for
      (i) conversion of industries
      (ii) modernization of industries
   (b) social assistance, redeployment and retraining of labour

B(v)(a)

Generally, figures are not available under these headings but some details in respect of the cotton textile industry are given below. At Annex D is a table showing annual assistance approved by assisted areas under the Local Employment Acts only, from 1960-1970. Figures are not yet available for the revised measures now in operation.
Details in respect of the cotton textile industry are as follows:

(i) Adjustment assistance funds provided to the cotton textile industry under the provisions of the Cotton Industry Act 1959 for conversion (i.e., scrapping of surplus machinery) amounted to £11.3 million; this was provided from central Government funds. In addition the industry itself contributed £9.2 million.

(ii) Central Government grants towards the cost of re-equipping under the Cotton Industry Act 1959 totalled £13.4 million. All the finance made available under the 1970 scheme was in the form of loans to companies repayable over seven years at 10 per cent interest per annum. Approximately £2 million has been committed.

B(v)(b)

General figures in respect of labour are embodied in the reply to question A(vi)(b) above.

The Cotton Industry Act 1959 provided that employees losing their jobs through re-organization should be compensated from a fund financed by a levy on the industry; there was no Government contribution for this purpose. Compensation paid totalled £4.6 million.

C. Effects of measures applied

(i) Are there any instances where prior use of adjustment assistance has been followed by measures to reduce or eliminate import restrictions?

Not so far as regional industrial policies are concerned. (See Annex A.)

C(ii) Is any indication available of the impact of the adjustment assistance extended on the level of domestic production and composition of imports from developing countries?

It is not possible to distinguish the effects of adjustment assistance on the level and composition of imports from other equally relevant factors, such as tariff levels, improved technology, competition from synthetics and substitutes, etc.
ANNEX A

ANSWERS TO GATT QUESTIONNAIRE

A. Measures available

(i)(a) The Cotton Industry Act, 1959 was a piece of special purpose legislation devised to promote a programme of organized contraction and re-equipment by the British cotton textile industry and to empower the Government to provide financial assistance for this programme. The legislation was drawn up against a background in the industry of falling output and competitiveness, over-capacity and a worsening balance of trade. It was intended to bring about a re-organized and re-equipped industry which could compete with success in the markets of the world with the types of cloth that are wanted wherever living standards are high. Since firms were given until September 1959 (January 1961 for the finishing sector of the industry) to apply for assistance over scrapping machinery and until July 1962 to obtain approval in principle for their re-equipment proposals, it is now nine years since any of the measures provided for under the Act could be invoked by the industry.

(i)(b) A second scheme was announced in June 1970 to provide financial assistance to small and medium-sized companies in the cotton and allied textile industry to carry out overall modernization and re-equipment projects. Finance was made available by the (now defunct) Industrial Reorganization Corporation under its general powers, contained in the Industrial Reorganization Corporation Act 1966, to promote industrial efficiency and profitability. In a further Government announcement in December 1970, firms were given until 30 June 1971 to submit projects for consideration. The scheme was related to the "package" of decisions following from the recommendations of the Textile Council's study, published in March 1969, on the efficiency and productivity of the industry. The Council proposed that, if the industry was to become fully internationally competitive by 1975, the Government should replace the system of quotas on imports of cotton textiles from low-cost sources by a tariff on imports from the Commonwealth (which entered the United Kingdom duty free) and that the industry should carry out a very substantial programme of rationalization and re-equipment.

(ii)(a) The 1959 Act provided for two series of schemes to be established for individual sectors of the cotton textile industry (i.e., spinning, doubling, weaving, finishing, etc.). These were for scrapping existing machinery and for re-equipment. The scrapping schemes were voluntary and automatic. The Government paid two thirds of the cost of buying up machinery to be scrapped at standard rates (e.g., £0.40 per mule equivalent spindle, £60-80 per loom), the rates being increased by 25 per cent for firms leaving the industry entirely and reduced by 25 per cent for machinery which was already idle. The other one third of the
cost and the administrative charges were net by a compulsory levy on firms in the relevant sector. Firms were given only two months (August and September 1959) to decide what machinery, if any, they wish to be scrapped and to claim benefit. The only exception to this was for finishing machinery where firms were allowed until January 1961. Before the Government approved a scrapping scheme for a particular sector, it required to be satisfied that adequate provision had been made for compensating employees who lost their jobs. The cost of this compensation fell wholly on the industry.

(ii)(b) The 1959 re-equipment scheme covered the same sector as those for scrapping machinery and was open to any firm which could submit evidence that expenditure on which grant was claimed was wholly or partly a considered project for re-equipping or modernizing a mill. Second-hand equipment and buildings were not eligible for grant but certain modifications to equipment which had already been installed were. Firms were required to make a separate claim for every project and in each case there was a minimum value limit of £2,500. They had to make application for approval in principle by July 1962, place orders for new equipment by July 1963 and complete purchase and installation by July 1964. In cases where all the conditions were fulfilled the Government made a grant of 25 per cent of the cost of the project.

(ii)(c) The 1970 re-equipment scheme was limited to the small and medium-sized firms in the cotton and allied textile industry. The very large textile groups and firms which were controlled by conglomerates and others outside the textile industry with access to very substantial sources of finance were excluded. However, the scheme was not limited solely to cotton textiles since the spinning of man-made fibres on the cotton system, weaving the yarns produced and man-made fibre filament yarns, and the finishing of the resulting fabrics also qualified. The Industrial Reorganization Corporation was in principle prepared to make finance available to any company within the terms of the scheme for the construction and equipment of new textile factories or for the overall modernization of existing factories. Companies were expected to satisfy the Corporation that they had the management resources to effect significant improvements in manufacturing efficiency and productivity, complemented by a sound marketing strategy. The financial terms in any particular case were for negotiation between the Corporation and the company concerned and depended, *inter alia*, on commercial lending rates. Projects involving less than £100,000 would not generally be assisted.

(iii)(a) The 1959 Act was initiated by Central Government. Scrapping schemes were administered by the Cotton Board, the existing statutory development council for the industry, which was responsible for drawing up sector schemes for approval by the Government. The Board also had the tasks of making sure that plant and machinery offered for scrapping was actually destroyed, that employees affected received the compensation to which they were entitled, and that any other conditions were fulfilled. The Board also raised the necessary levies to pay for the industry's share of the cost including workers' compensation.
(iii)(b) The Cotton Board also played a part in the re-equipment scheme. Grants were paid out by the Government on the basis of recommendations by the Board following their examination of individual projects.

(iii)(c) The 1970 scheme was also initiated by the Government which agreed the administrative framework with the Industrial Reorganization Corporation and then left the Corporation to negotiate with individual firms submitting projects and to decide whether assistance should be provided in any particular case.

(iii)(d) In all the schemes, machinery to anticipate the need for assistance and to provide information about the industry was available in the form of the Statutory Development Council. This was greatly assisted by employers' associations and trade unions.

(iv) Since the British cotton textile industry is heavily concentrated in the Lancashire area, action was initiated and carried out by Central Government in close consultation and collaboration with regional interests including representative of the industry itself.

(v) The decision on the need for assistance has in each case lain with the Government minister in charge of the department responsible for policy towards the textile industry. The arrangements for implementing assistance programmes are described in (ii) above.

(vi)(a) Financial assistance was provided under the provisions of the 1959 Act in the form of Government grants. In the case of the 1970 re-equipment scheme, companies were generally offered loans repayable over seven years at an unsubsidized rate of interest (generally 10 per cent per annum).

(vi)(b) The only case where arrangements have been made beyond the Government's normal-employment policies were the provisions for compensating employees losing their jobs through the scrapping of machinery under the 1959 Act. This compensation was entirely financed by means of a compulsory levy on the industry.

(vii) Central Government funds and compulsory levies on the industry.

(viii) Measures have been undertaken on an individual ad hoc basis and not regarded as being continuing or leading to new programmes of assistance.

(ix) The decision on whether or not to take advantage of assistance offered has been left entirely to firms. Money has only been made available for limited periods so firms have been under pressure to make up their minds within a short time. Failure to re-organize and to re-equip by firms which have needed to do so has carried its own commercial penalties; some have gone out of business.
B. Measures applied

B(i) Assistance to the British cotton textile industry has been mainly to help it face competition from imports. Problems have arisen primarily because of lack of competitiveness for both economic and technological reasons rather than from the consequences of trade negotiations.

B(ii) To some extent assistance has been aimed at diversification away from goods subject to import competition. The 1959 Act provided financial assistance for the scrapping of machinery and one condition required before providing finance under the 1970 re-equipment scheme was that the company concerned should have a sound marketing strategy for the product in question. This implied that the firm would have commercial or technological advantages which would enable it to sell the product against import competition. This has usually meant that the product in question was such that developing countries were not well placed to make or market it.

B(iii) The cotton textile industry is readily identifiable and its products are of interest to developing countries.

B(iv)(a) The 1970 re-equipment scheme was related to Her Majesty's Government's decision to end quota restrictions on cotton textile imports from the developing countries, other than from certain State-trading countries.

B(iv)(b) Assistance was not specifically directed towards providing further opportunities to developing countries, imports from which already accounted for a much higher proportion of domestic consumption than in any other major developed country (see C(ii)).

C. Effects of measures applied

C(i) See (iv)(a) above.

C(ii) It is not practicable to gauge the impact of adjustment assistance on the level and composition of imports from developing countries since this has been obscured by changes in the level of activity in the cotton textile trade generally and by the subsequent imposition of quantitative restrictions first from a few countries individually and finally, in 1966, on all except a handful of developed countries. However, retained imports of cotton cloth as a percentage of apparent consumption within the United Kingdom market have reached a high level. The import penetration figure was 30 per cent in 1960, 37 per cent in 1964 and reached a peak of 43 per cent in 1968; since then it has declined to 35 per cent in 1970, but is currently rising again.
Annex B

DUNDEE

1. Dundee's big problem is, of course, the run-down of the jute industry which has long provided a substantial part of the town's employment (16 per cent in 1960 and 13 per cent even in 1969). Between mid-1969 and mid-1970, the latest date for which an estimate is available, the number of insured employees in Dundee jute establishments fell from 12,000 to 9,000. The run-down continues at a rapid rate and is likely to present the area with a big task of reconstruction.

2. There have been difficulties in other existing industries, particularly food processing and office machinery manufacturing, which have caused fairly heavy redundancies and a greatly reduced demand for labour. About 2,400 workers became redundant during the year from June 1970 to June 1971, and a further 3,000 redundancies have been announced in the first nine months of 1971/1972.

3. The low state of the national economy has made it very difficult for displaced workers to find alternative jobs. In addition, there have been few firms throughout the country wanting to set up new establishments or expand and very little mobile industry wishing to set up in Dundee. It seems likely that incoming firms will make no more than a small contribution to the demand for labour in Dundee during the next year or two. The result of these various factors has been a sharp rise in the unemployment rate from 4.5 per cent in March 1970, 6.0 per cent in March 1971 to 8.5 per cent in March 1972.

4. The one sizeable expansion in Dundee is a new factory for the Michelin Tyre Company. They will be building up their labour force during 1972. By the end of that year the factory is expected to employ several hundred workers. However, this is likely to have little more than a marginal effect on unemployment in Dundee.

5. Dundee is in the Scottish Development Area and therefore firms coming there, or existing firms expanding, may qualify for the various special financial and other incentives offered by the Government. The Government's measures are expected in time to have a reflationary effect on the economy and, once economic activity picks up again, it is likely that the diversification of employment in Dundee will be able to make progress again.

6. The Department of Trade and Industry has provided three industrial estates and two further individual factory sites in Dundee, housing some 2 million sq. ft. of industrial floorspace, and employing some 14,200 people (8,300 males) as at November 1970. There is at present some 170,000 sq. ft. of vacant DTI factory space.
7. The following are figures of Government expenditure on training in the Dundee area in the years 1970 and 1971:

<table>
<thead>
<tr>
<th>Type of training</th>
<th>Numbers trained</th>
<th>Estimated cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Training Centres - 1970</td>
<td>74</td>
<td>£60,000</td>
</tr>
<tr>
<td>Government Training Centres - 1971</td>
<td>116</td>
<td>£93,000</td>
</tr>
<tr>
<td>Other Government Vocational - 1970</td>
<td>14</td>
<td>£6,000</td>
</tr>
<tr>
<td>Training Courses - 1971</td>
<td>43</td>
<td>£17,000</td>
</tr>
<tr>
<td>Training Grants in DAs and IAs - 1970</td>
<td>893</td>
<td>£45,000</td>
</tr>
<tr>
<td>IAs - 1971</td>
<td>220</td>
<td>£16,000</td>
</tr>
</tbody>
</table>

A Government Training Centre was opened in Dundee in April 1971. When fully operational it will have capacity to train about 160 people annually. At present there are 58 trainees in the Centre.
### Annex C

**TOTAL ASSISTANCE APPROVED BY TYPES OF INDUSTRY**

**Year ended 31 March 1971**

<table>
<thead>
<tr>
<th>Types of Industry (SIC order numbers)</th>
<th>Factory building (£'000)</th>
<th>Under section 4 of the 1960 Act Loans (£'000)</th>
<th>Grants (£'000)</th>
<th>Operational grants (£'000)</th>
<th>Building grants (£'000)</th>
<th>Plant and machinery grants (£'000)</th>
<th>Total (£'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Agriculture, forestry and fishing</td>
<td>nil</td>
<td>7</td>
<td>nil</td>
<td>nil</td>
<td>717</td>
<td>n11</td>
<td>724</td>
</tr>
<tr>
<td>II Mining, and quarrying</td>
<td>nil</td>
<td>1,000</td>
<td>nil</td>
<td>21</td>
<td>3,651</td>
<td>n11</td>
<td>1,154</td>
</tr>
<tr>
<td>III Food, drink and tobacco</td>
<td>81</td>
<td>173</td>
<td>24</td>
<td>21</td>
<td>3,512</td>
<td>n11</td>
<td>3,512</td>
</tr>
<tr>
<td>IV Coal and petroleum products</td>
<td>n11</td>
<td>n11</td>
<td>24</td>
<td>32</td>
<td>1,532</td>
<td>n11</td>
<td>1,532</td>
</tr>
<tr>
<td>V Chemicals and allied industries</td>
<td>180</td>
<td>1,026</td>
<td>441</td>
<td>287</td>
<td>1,863</td>
<td>n11</td>
<td>4,908</td>
</tr>
<tr>
<td>VI Metal manufacture</td>
<td>326</td>
<td>573</td>
<td>2</td>
<td>713</td>
<td>1,843</td>
<td>n11</td>
<td>3,508</td>
</tr>
<tr>
<td>VII Mechanical engineering</td>
<td>2,533</td>
<td>1,537</td>
<td>109</td>
<td>53</td>
<td>2,566</td>
<td>n189</td>
<td>6,888</td>
</tr>
<tr>
<td>VIII Instrument engineering</td>
<td>818</td>
<td>20</td>
<td>1</td>
<td>n11</td>
<td>325</td>
<td>n11</td>
<td>864</td>
</tr>
<tr>
<td>IX Electrical engineering</td>
<td>398</td>
<td>12,450</td>
<td>318</td>
<td>944</td>
<td>2,097</td>
<td>n11</td>
<td>16,207</td>
</tr>
<tr>
<td>X Shipbuilding and marine engineering</td>
<td>n11</td>
<td>n11</td>
<td>140</td>
<td>n11</td>
<td>763</td>
<td>n11</td>
<td>903</td>
</tr>
<tr>
<td>XI Vehicles</td>
<td>244</td>
<td>1,175</td>
<td>1</td>
<td>185</td>
<td>1,553</td>
<td>n11</td>
<td>3,158</td>
</tr>
<tr>
<td>XII Metal goods not elsewhere specified</td>
<td>315</td>
<td>344</td>
<td>12</td>
<td>n11</td>
<td>651</td>
<td>n11</td>
<td>1,322</td>
</tr>
<tr>
<td>XIII Textiles</td>
<td>885</td>
<td>1,972</td>
<td>38</td>
<td>550</td>
<td>4,008</td>
<td>194</td>
<td>7,647</td>
</tr>
<tr>
<td>XIV Leather, leather goods and fur</td>
<td>69</td>
<td>n11</td>
<td>n11</td>
<td>49</td>
<td>118</td>
<td>n11</td>
<td>1,176</td>
</tr>
<tr>
<td>XV Clothing and footwear</td>
<td>264</td>
<td>405</td>
<td>(£3,000)</td>
<td>n11</td>
<td>597</td>
<td>n11</td>
<td>784</td>
</tr>
<tr>
<td>XVI Bricks, pottery, glass, cement, etc.</td>
<td>34</td>
<td>n11</td>
<td>9</td>
<td>n11</td>
<td>741</td>
<td>n11</td>
<td>1,553</td>
</tr>
<tr>
<td>XVII Timber, furniture etc.</td>
<td>103</td>
<td>805</td>
<td>6</td>
<td>639</td>
<td>548</td>
<td>n11</td>
<td>1,648</td>
</tr>
<tr>
<td>XVIII Paper, printing and publishing</td>
<td>523</td>
<td>1,525</td>
<td>13</td>
<td>2,575</td>
<td>n11</td>
<td>6,958</td>
<td>16,714</td>
</tr>
<tr>
<td>XIX Other manufacturing industries</td>
<td>225</td>
<td>4,855</td>
<td>14</td>
<td>1,714</td>
<td>n11</td>
<td>n11</td>
<td>1,714</td>
</tr>
<tr>
<td>XX Construction</td>
<td>n11</td>
<td>5</td>
<td>n11</td>
<td>560</td>
<td>n11</td>
<td>n11</td>
<td>560</td>
</tr>
<tr>
<td>XXI Gas, electricity and water</td>
<td>n11</td>
<td>n11</td>
<td>n11</td>
<td>n11</td>
<td>n11</td>
<td>n11</td>
<td>n11</td>
</tr>
<tr>
<td>XXII to XXVII Service industries</td>
<td>n11</td>
<td>50</td>
<td>n11</td>
<td>1,876</td>
<td>n11</td>
<td>n11</td>
<td>1,876</td>
</tr>
<tr>
<td>Advance factories not yet allocated</td>
<td>1,171</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,171</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,869</strong></td>
<td><strong>28,022</strong></td>
<td><strong>1,163</strong></td>
<td><strong>2,779</strong></td>
<td><strong>30,126</strong></td>
<td><strong>226</strong></td>
<td><strong>70,185</strong></td>
</tr>
</tbody>
</table>
## Annex D

### ANNUAL ASSISTANCE APPROVED BY ASSISTED AREAS

<table>
<thead>
<tr>
<th>Offers in financial years</th>
<th>Northern (£'000)</th>
<th>Merseyside (£'000)</th>
<th>South Western (£'000)</th>
<th>Total England (£'000)</th>
<th>Wales (£'000)</th>
<th>Scotland (£'000)</th>
<th>Intermediate areas (£'000)</th>
<th>Total (£'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961-62</td>
<td>1,900/</td>
<td>200/</td>
<td>200/</td>
<td>3,877</td>
<td>954</td>
<td>19,207</td>
<td>-</td>
<td>24,038</td>
</tr>
<tr>
<td>1962-63</td>
<td>5,600/</td>
<td>4,900/</td>
<td>200/</td>
<td>10,639</td>
<td>397</td>
<td>5,038</td>
<td>-</td>
<td>16,074</td>
</tr>
<tr>
<td>1963-64</td>
<td>12,600/</td>
<td>2,100/</td>
<td>400/</td>
<td>15,173</td>
<td>635</td>
<td>14,403</td>
<td>-</td>
<td>30,211</td>
</tr>
<tr>
<td>1964-65</td>
<td>14,800/</td>
<td>8,200/</td>
<td>1,100/</td>
<td>24,227</td>
<td>1,205</td>
<td>15,176</td>
<td>-</td>
<td>40,608</td>
</tr>
<tr>
<td>1965-66</td>
<td>14,300/</td>
<td>8,000/</td>
<td>600/</td>
<td>23,060</td>
<td>3,665</td>
<td>15,588</td>
<td>-</td>
<td>42,314</td>
</tr>
<tr>
<td>1966-67</td>
<td>15,201</td>
<td>11,083</td>
<td>615</td>
<td>27,048</td>
<td>8,840</td>
<td>19,543</td>
<td>-</td>
<td>55,431</td>
</tr>
<tr>
<td>1967-68</td>
<td>12,761</td>
<td>6,564</td>
<td>722</td>
<td>20,150</td>
<td>8,646</td>
<td>17,643</td>
<td>-</td>
<td>46,439</td>
</tr>
<tr>
<td>1968-69</td>
<td>17,018</td>
<td>6,839</td>
<td>1,699</td>
<td>25,692</td>
<td>11,859</td>
<td>17,364</td>
<td>Nil</td>
<td>54,915</td>
</tr>
<tr>
<td>1969-70</td>
<td>33,651</td>
<td>13,789</td>
<td>1,377</td>
<td>48,865</td>
<td>15,613</td>
<td>18,410</td>
<td>965</td>
<td>83,853</td>
</tr>
<tr>
<td>1970-71</td>
<td>24,535</td>
<td>8,915</td>
<td>2,509</td>
<td>35,959</td>
<td>11,717</td>
<td>18,958</td>
<td>3,551</td>
<td>70,185</td>
</tr>
</tbody>
</table>

1/ Approximate figures

2/ Includes development districts not included in the development areas.