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Regional Studies Association,
29 Great James Street, London WC1N 3ES
Tel 01-242 0363

EDITORIAL

On June 11th, Mrs. Thatcher's Conservative government was returned to power in the UK, with a somewhat reduced but still very substantial majority. But for students of regional and urban problems the emphatic rejection of Mrs. Thatcher in much of Scotland, Wales and the urban-industrial North appeared to confirm the existence of a north-south divide, much debated in the media and frequently referred to in recent newsletters. Mrs. Thatcher's victory was strongly based in the prosperous South-East. The publication of that annual audit of differences between the regions - Regional Trends (at which Graham Haughton takes a light-hearted look in this issue) - confirms the tilt of prosperity towards the South-east. The tide of growth and affluence however sweeps out from the national capital beyond the regional boundaries into East Anglia and the South-West.

The sub-regional pattern of election results again pointed to the problems of that elusive place, 'the inner city', and it was this that Mrs. Thatcher herself chose to emphasise in the election's aftermath. She herself will chair a committee of Ministers to oversee a fresh initiative. Two points spring immediately to mind. Firstly there still seems to be no clear recognition by government of the nature and causes of the inner-city problem, despite the multitude of studies that have been published in recent years (many by R.S.A. members). Is it a racial problem, a social problem, an economic problem, a local government problem? (Answers please, loud and clear, from all you experts out there, addressed to Downing Street). Secondly altough the Prime Minister herself has only lately perceived the significance of this problem, governments have in fact been trying to do something about it for several years. Enterprise Zones and Urban Development Corporations are just two initiatives that spring to mind, and it is not long since Mr. Heseltine 'discovered' Merseyside in just the same way as Lord Hailsham had discovered the North-East on his famous 'flat-cap' tour in the early 1960's. The policies adopted so far towards the inner-city have apparently been too puny to 'solve' the problem. Refreshing the parts that these other policies have not reached is now the objective, but refreshment is coming from a bewildering range of government departments.

In this issue of the Newsletter we welcome a further 'Letter from America', which pursues the nuclear theme explored in a previous editorial. 'Letter from America' is now scheduled to appear in alternate issues. This 150th Newsletter also contains the first of a new series of regional policy reviews relating both to individual European countries and the European Community as a whole. This will be contributed by staff of the former Centre for the Study of Public Policy at the University of Strathclyde (now the European Policies Research Centre).

Derek Spooner

FROM THE EXECUTIVE SECRETARY

Enclosed with the Journal and Newsletter, you will find the 1986 - 87 Branch Report and Autumn Issue of Current Research. The next opportunity to publicise your research interests will be with volume 21 number 6 of the Journal when the return sheets will be distributed.

I would like to thank the Scottish and West Midland Branches for inviting and entertaining me at meetings within the regions. Members attending the Scottish Branch A.G.M. also heard an interesting paper by Peter McVean of PIEDA on "The Impact of New Regional Policy Measures". The West Midlands Branch held a one day conference which was very well attended on out of town shopping centres. The day involved a study tour into the Black Country to observe shopping centres in the high streets and the out of town shopping development - Merry Hill, in Dudley. I am hoping to visit other regions over the next four to five months and look forward to meeting members at the meetings.

Two dates for your diary are 10-11th September for the British Regionalism 1900-2000 conference to be held at the University of Salford, and Saturday 17th October for students for the Annual Student Conference to be held in Coventry.

Sally Parkinson

LETTER FROM AMERICA

Post-Chernobyl Notes on the U.S. Nuclear Fizzle

When the lid blew off th Chernobyl No. 4 reactor on April 26, 1986, it released the largest quantity of radioactive material ever in one technological accident. The estimated 28 megacuries of escaping gases dwarf the less than one megacurie released in the 1957 Windscale (U.K.) accident and the 17 curies from the 1979 Three Mile Island (U.S.) accident. One hundred thirty-thousand people within a 30 kilometer radius were evacuated and 300-400 million people in 15 nations were put at risk of radiation exposure. Present forecasts of additional cancer deaths attributable to the Chernobyl accident range from 5,000 to 75,000.

Despite the magnitude of health and safety risks presented by the Chernobyl accident, there is little evidence of impact on the fortunes of nuclear power in the U.S. Chernobyl could hardly have worsened the prospects of those portions of the nuclear industry already in rapid decline. No new plants have been ordered in the U.S. since 1978 and work on several partially completed units has been halted. (It should be noted, though, that service contracts and national government R&D subsidies generate $2-3 billion in annual industry earnings, and decommissioning may shortly add $500 million to $3 billion per retired reactor. The U.S. nuclear industry is not going out of business any time soon.) More important though, Chernobyl failed to spur action in areas where one might have expected policy responses; for example, nuclear health and safety standards, regulations for improved plant design, and local and regional emergency planning, including evacuation. Quite to the contrary, the U.S. Nuclear Regulatory Commission has proposed an increase in the allowable radiation dosage for plant workers, has relaxed structural standards for operating plants (such as those addressing thermal shock, fracturing and embrittlement of the reactor vessel) and is considering repeal of the requirement for a local evacuation plan prior to start-up of a nuclear unit.

If the Commission drops the evacuation plan requirement, it will remove the only defined regulatory role for local and regional planning authorities in U.S. nuclear power decision making. Yet, as Chernobyl dramatically demonstrated, the regional impacts of nuclear power can be profound. In addition to the health and safety of populations near (and not so near) plants, nuclear power can and has adversely affected the political economies of communities dependent upon this energy option. The recent experience of America's Pacific Northwest illustrates this latter impact.

The Washington Public Power Supply System (WPPSS) was established in the late 1950's to "tackle the big projects" necessary to energize the region's economy. One-hundred-eight investor and government-owned electric utilities in six Pacific Northwest states joined together to underwrite a twenty-year construction program involving 22 nuclear and coal power plants with a combined output of 21,400 MW. By 1973, the size of the proposed project was cut to eleven plants generating 11,300 MW. The nuclear component comprised five facilities to be completed by September 1987, with a combined output of 6,080 MW at a projected cost of $4.265 billion. The program represented a political milestone for the region. It joined rivals such as public and private power producers, local and central governments, and the region's major electricity -using industries in a network to forecast, build, produce and distribute electric power (for a more detailed analysis see Byrne and Hoffman, 1986).

The impact of WPPSS on the region has been spectacular but vastly different from that originally anticipated by the region's residents. On January 22, 1982, construction was terminated on two of the five WPPSS nuclear power projects, setting in motion the largest municipal bond default in the history of the United States. WPPSS declared that it was unable to honor financial obligations for $2.1 billion in bonds issued to finance the two plants. Additional construction costs of $6.7 billion in principal and $23.8 in interest are still outstanding on the five-plant project (Morrison, 1981; Loeb, 1982). When the $8.8 billion in construction costs are spread across the region's residents, the median debt per household is figured to be between $27,000 and $30,000. Since the declaration of default, electricity prices in the region have increased over 250 percent and electric bills are projected to quintuple by 1990. These increases are largely attributable to the WPPSS nuclear projects, none of which is operational (Gleckman, 1984; Comptroller General, 1984).

The decision making that led to the WPPSS fiasco was technocratic and corporate in orientation. The problem was **not** that the WPPSS managers failed to solicit or heed the advice of reputable engineering and financial firms. Merrill Lynch, Paine Webber, Salomon Brothers, Bechtel, General Electric and Westinghouse all worked on the nuclear projects. The region's political structure was transformed into a technocracy and the economy was centralized in order to accommodate the scale and complexity of a nuclear energy system. Despite cost overruns of 600 percent, combined project delays of 28 years and the largest default in municipal bond history, WPPSS passed the market test. Project bonds received the highest ratings from Moody's and Standard and Poor's throughout the ten-year history of the bond offerings. Even after termination of two of the five projects was announced, an $850 million WPPSS bond sale received the highest possible bond rating. A Wall Street banker put into perspective WPPSS's market success: "Nothing went wrong. We all made money didn't we?" Unfortunately, for residents of the region the only tangible evidence of this market success is a bill for $30 billion and a few nonoperational nuclear plants "left to sit out in the rain". (Gleckman, 1984: 37 and 35, respectively).

By John Byrne and Daniel Rich, Center for Energy and Urban Policy Research, College of Urban Affairs and Public Policy, University of Delaware.

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EUROPEAN REGIONAL POLICY NEWS

This article is the first of a new regular series of 'briefings' for the RSA Newsletter on regional policy developments in Europe. The series will alternate between reporting on changes in the regional policy of individual EEC countries and updates on developments in the regional policies of the European Commission. This first report begins by providing an overview of current trends in regional policy in the Community countries.

Over the past five years, regional policy in Europe has undergone intense change. New legislation, 'memoranda' or policy reviews have been undertaken in every country: in Denmark, France and Greece in 1982, Great Britain and Ireland (1984), Germany and Northern Ireland (1985), Denmark, Italy, Luxembourg, the Netherlands, Portugal and Spain (1986) and, most recently, Belgium. These reviews have, in general, been characterised by two key features: first, a greater targetting of resources, through the desire for more cost-effectiveness as regional budgets have been reduced: and, second, attempts at improving the relevance of policy measures, many of which were originally introduced in the 1960's and early 1970's.

With respect to the targetting of regional aid, the major causal factor has undoubtedly been the reduction in regional aid budgets. After a period of growth during the mid and late 1970's, regional policy expenditure tended to peak in 1978-79 after which it generally declined, most markedly in 1980 and then again in 1984: more recently, however, a downward trend has once again become established.

The most obvious consequence of these trends has been a reduction in the spatial coverage of assisted areas in Community countries. During

the past six years the average designated area has declined from well over one-third of the national working population to closer to one quarter. Although the cutback slowed in 1985-86, it is likely that the effects of reduced regional aid budgets, the lower priority accorded to regional policy in many countries at a time of high nationwide unemployment, and pressure from DGIV (the Industry and Competition Directorate) of the European Commission will see a further restriction in the extent of problem regions towards the end of the decade.

In addition to spatial cutback, some countries have introduced a greater degree of discrimination in the provision of incentive support. In Italy, Luxembourg and Portugal, for example, policymakers have significantly increased the levels of spatial differentiation within their regional incentive packages, limiting the maximum rates of award much more to areas in greatest need. Other measures to focus assistance have included closer scrutiny of the eligibility of manufacturing industry (as occurred in Northern Ireland in May 1987) to eliminate individual sectors where aid is likely to have little impact or is considered to cause the 'displacement of jobs'. Discrimination has also operated with respect to the types of project which are eligible for support, with an increased emphasis on new start-ups (in France and the Netherlands, for example) at the expense of a more restrictive treatment of extension projects.

Finally, targetting of regional aid is evident in the greater control being employed in policy administration. Concerned at high cost-per-job levels, regional policymakers have been moving away from 'automatic' grants (of the RDG type) to more selective forms of assistance, albeit at the price of the greater visibility and predictability associated with automatic schemes. This 'value for money' approach is also reflected in more stringent conditions covering incentive payment (eg. tighter additionality criteria), increases in rates of turndown of applications, and more rigorous monitoring procedures.

While resource constraints have inevitably meant a contraction in the volume of regional aid in most countries, regional policymakers have not reacted passively to changing economic conditions. The last three years have seen important new developments with the redesign of policies and experimentation with new ideas - for example through the extension of regional support to the service sector, to innovation and new technology, and a greater emphasis on the special requirements of new and small firms.

Most significant of these changes has been the extension of eligibility