

Reginald Policy

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PRIME MINISTER

Enterprise Zones
(E(79) 41 and 55)

BACKGROUND

Enterprise zones were one of the priority strategy items considered by E Committee on 24th July and remitted to MISC 14.

2. MISC 14 considered a report by officials which was subsequently circulated to E Committee on 21st September as E(79) 41. The Chancellor of the Exchequer minuted you the same day, proposing to make a preliminary announcement about enterprise zones at the Party Conference. The Secretary of State for Employment minuted you on 25th September pointing out some difficulties in doing this, and on 1st October your Private Secretary wrote to the Chancellor's Private Secretary saying that in your view no announcement should be made before the proposals had been discussed in E Committee.

3. The Chancellor of the Exchequer's paper (E(79) 55) makes recommendations on the various points raised by the officials' report, and encloses a draft consultative document reflecting those recommendations.

4. Enterprise zones will be seen as a test bed of Conservative philosophy. If they go ahead, it will be very important that some should succeed. You will want to be reasonably sure that the measures proposed are enough to have a substantial economic impact, without unacceptable social consequences. And you will want the result to show, unmistakably, within three or four years from now. If the Committee have doubts about either the effectiveness of the proposals or the time they would take to become effective, they may want either to beef up the existing proposals (which may well be difficult) or to let the whole idea quietly drop. But, even if the Committee have such doubts, they may feel that the best course is to issue a consultation document and take a final decision in the light of the responses to that, and of any further work that can be done during the consultation period.

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5. There is also an overlap between enterprise zones and the proposed Urban Development Corporations for London and Liverpool docklands, but I do not think that this will create any real difficulty.

HANDLING

6. You will want the Chancellor of the Exchequer to introduce his paper. Then I suggest you take the various points for decision in turn.

(a) Purpose of Enterprise Zones

7. MISC 14 endorsed the Officials' assumption quoted in paragraph 2 of the Chancellor of the Exchequer's paper. You might simply invite the Committee to do the same.

(b) Size and Number of Enterprise Zones

8. The draft consultative document says that the number of enterprise zones would be limited initially to about six, and the area covered by each would be relatively small, probably up to about 500 acres. This reflects the assumption made by officials and endorsed by MISC 14, and again you might invite the Committee to give their endorsement, both on size and on number. There may be suggestions that there could be more and bigger enterprise zones, but I doubt if Ministers would want to press these for the experimental stage. The Committee would not be ruling out increases either in size or in number at a later stage.

(c) Guidance on the Choice of Sites

9. The Chancellor of the Exchequer recommends that the sites should be chosen so as to illustrate the range of types of area which might be suitable, including probably at least one in Scotland and perhaps in Wales. Beyond this, he would prefer to leave the choice open at this stage, so that a final choice can be made in the light of the consultations. This seems reasonable, and you might simply ask the Committee whether they agree with the proposal. If Ministers have views for or against particular sites, they might put their views direct to the Chancellor of the Exchequer outside the Committee.

(d) Measures of De-restriction

10. This is likely to be the most difficult part of the discussion.

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11. The Chancellor of the Exchequer recommends that the consultation document should mention - without commitment - all the ideas for de-restriction mentioned in the officials' report. These include relaxation of health and safety standards and employment protection requirements. In his minute to you of 25th September, the Secretary of State for Employment said "I see great objection to relaxations in these areas limited to particular parts of the country".

12. Your best course might be to go quickly through all the suggestions in paragraphs 3 and 4 of the draft consultation paper annexed to the Chancellor of the Exchequer's paper, and see which items the Ministers directly responsible would want deleted. It may be that the employment items will be the only ones. You might then ask the Committee to assume that all such requests for deletions are accepted, and to consider whether the remaining list of relaxation measures makes up a credible package of non-fiscal measures for enterprise zones. If the general view is "yes" you may be able to get the Chancellor of the Exchequer to agree not to press his case against individual Ministers' requests for deletions. But if the feeling is that the remaining relaxations are not enough to make a credible package, you might ask the Ministers pressing for the deletion whether they really want to press their case to the point of putting the enterprise zones concept in jeopardy.

(e) Possible Fiscal Measures

13. The Chancellor of the Exchequer proposes to mention three, but only three, possible fiscal relaxations in the consultative document. He would omit some others which were considered by officials. You may find that other Ministers want to reinstate some of these (at MISC 14, the Secretary of State for the Environment was interested in the free port concept which the Chancellor does not think is a runner). But you will no doubt want to support the Chancellor in resisting such claims.

(f) Consultations with Local Authorities and other Interests

14. If the Committee have reached agreement so far, this is clearly the next step. But you will want to consider Ministerial responsibility and the drafting of the consultation document - the two next items.

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(g) Ministerial Responsibility

15. This is for you to decide. But both the Chancellor of the Exchequer and the Secretary of State for the Environment would be content for the Chancellor (as originator of the enterprise zones concept) to make the announcement launching the consultative document, and for the Secretary of State for the Environment to assume responsibility from that point on. If you agree with this, you might say so at the meeting.

(h) Drafting of the Consultation Document

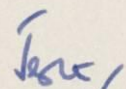
16. You might turn the Committee's attention to the draft at Annex A, and see if anyone has points of substance on it, other than points already raised in discussion. You might suggest that drafting points should be discussed directly with the Chancellor of the Exchequer.

(i) Timing

17. If agreement has been reached so far, you might ask the Chancellor of the Exchequer when he would propose to make his announcement, and in what form. You might suggest that he agrees the precise timing with you and the Paymaster General, and that he circulates a draft of his statement and a final draft of the consultative document to colleagues in advance.

CONCLUSIONS

18. You will want to record the Committee's conclusions on Items (a) - (i) above.


(John Hunt)

22nd October 1979