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P.0175

PRIME MINISTER

ENTERPRISE ZONES

E(79) 85

Letter from the Secretary of State for the Environment to the Chancellor of the Exchequer dated 17 December 1979.

Letter from the Chancellor of the Duchy of Lancaster to the Chancellor of the Exchequer dated 18 December 1979.

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BACKGROUND

1. E Committee considered the Chancellor of the Exchequer's proposals for Enterprise Zones on 23 October (E(79) 13th Meeting, Item 3). They expressed strong support for the concept, but asked the Chancellor to consider his proposals in more detail in consultation with the members of MISC 14 and other colleagues - the Secretaries of State for Employment and for Trade, the Lord Privy Seal, and the Minister of Transport.
2. The Chancellor's paper E(79) 85 reflects these consultations and, unlike its predecessor, makes firm proposals on the package of measures and the choice of sites.
3. The package of measures in paragraph 3 of the Chancellor's paper is quite a long way from his original concept. De-regulation is now very much in second place behind financial incentives. He redresses the balance somewhat in paragraph 4. This paragraph is mainly about sympathetic administration of regulations, but it also canvasses the idea of making development easier by means of Special Development Orders, which the Environment Secretary, in his letter of 17 December, seems prepared to contemplate.

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HANDLING

4. You will want the Chancellor of the Exchequer to introduce his paper. You might then suggest discussing his proposals in the order set out in his paragraph 2 -

- i. The package of measures
- ii. The choice of sites
- iii. The necessary legislation
- iv. The method of announcement and future handling.

The Package of Measures

5. You could invite discussion of each of the six measures in paragraph 3 in turn, and then consider whether the package as a whole is satisfactory.

6. Items i. and ii., capital allowances for buildings and exemption from Development Land Tax. These are the Chancellor's own proposals and are likely to be widely welcomed. The only question is whether three years is enough. MISC 14 were in favour of a time limit, to encourage landowners to sell and developers to get on with the job, but in his letter of 17 December the Environment Secretary proposes ten years. The Chancellor may well say that this is too long. You might see if the Committee will agree on an intermediate figure - five years perhaps?

7. Item iii., de-rating of industrial and commercial premises. The Chancellor's paper looks forward to firm recommendations which the Environment Secretary makes in his letter of 17 December. These are that all industrial and commercial buildings in the Enterprise Zones should be de-rated, for a period of ten years, and that the local authorities should be reimbursed one hundred per cent by specific grant which would be a transfer within, not an addition to, public expenditure. You will want to see if the Committee agree with this. Ten years may be appropriate for de-rating, even if a shorter period has been agreed for the capital allowances and exemption from DLT.

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8. Items iv. - vi., exemption from IDC controls, from the industrial training levy, and from all but the bare minimum of Government statistical surveys.

The proposal is that these three measures should apply without time limit. You might simply check that the Committee are content for them to go ahead. I doubt whether anyone will object.

9. Shape of the Package. You might then raise the question whether the package as a whole is satisfactory, and invite the Chancellor of the Exchequer to comment on this, with particular reference to his paragraph 4. He will probably underline his request to the Ministers responsible for certain policy areas to urge the relevant authorities to interpret their responsibilities sympathetically in Enterprise Zones, and you might see if anyone dissents from this. On Special Development Order, the Environment Secretary's letter of 17 December offers two courses, conventional Special Development Orders or a new form applicable only to Enterprise Zones and requiring further legislation. You might ask him if he is making a firm proposal in favour of either of these, and if so, see what the Committee think of it. The Committee will need to take a view at this stage if he is proposing further legislation, but not otherwise.

Choice of Sites

10. E Committee cannot sensibly take final decisions about the choice of sites at this stage, since there may be drawbacks which will not be known until the local authorities are consulted. The Chancellor therefore seeks the Committee's agreement (paragraph 6 of his paper) to two lists of sites - a first list on which consultations would begin as soon as the Government announced its proposals, and a reserve list from which he and the Environment Secretary would pick sites on which to open consultations if sites on the first list had to be dropped for any reason. The aim would be to end up with a first round of about half a dozen sites, well spread across the regions and across different types of site.

11. You might first check that the Committee agree with the Chancellor on the principle of agreeing to a first list and a reserve list, and on the statement of where we want to end up. Assuming that they do, you might then invite comments on the individual sites.

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12. Ministers will obviously have their own views on this subject. There are two comments to make. First, the Clydebank (Singers) site is not on the long list at Annex A, but has been included because the closure of the large Singers factory makes it an obvious candidate. Second, the Northern Ireland Secretary is bound to press for his West Belfast site to be included on the first list rather than the reserve list. There is unlikely to be objection to this, unless it is considered very important not to go above six sites in the initial consultations.

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Legislation

13. MISC 14 were keen to get on with Enterprise Zones, which means legislating this session if possible. The Chancellor proposes legislation in the Finance Bill (which should cause no problem) and the Local Government Planning and Land Bill, which is a different story. He accepts that inclusion of the relevant clauses would be subject to the agreement of the Group under the Home Secretary which will be considering the Bill, but he hopes to enlist E Committee's sympathy in pressing his case.

14. I understand that the Environment Secretary is still content for the Enterprise Zone clauses to be added to his Bill, despite the loss of other material which was agreed at Cabinet last week, but you will want to begin by checking this. You might then invite the views of the Home Secretary, and take note of the letter from the Chancellor of the Duchy of Lancaster which points to the difficulties. There should be general agreement that the decision on whether or not to add the clauses to the Local Government Planning and Land Bill is in commission to the Home Secretary's group. But you might see if there is a general feeling in favour of legislating this session if possible, which might give a steer to that group.

Method of Announcement and Future Handling

15. The Chancellor of the Exchequer's proposals are at paragraph 13 of his paper. The key points are -

- i. Most of the timetable is subject to the agreement of the Home Secretary's group that the necessary clauses can be added to the Local Government Planning and Land Bill.

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ii. The Chancellor of the Exchequer would make the initial announcement and launch the policy document at Annex B to his paper; but he would then hand over the lead on consultations and implementation to the Environment Secretary.

16. Ministerial responsibility is of course for you to decide. Subject to that, you will want to check that the Committee are content with the proposed method of proceeding, and are broadly content with the policy document. This document may in any case need revision in the light of the discussion so far. You might ask colleagues to put any drafting points direct to the Chancellor, and ask the Chancellor to inform the Committee when he proposes to make his announcement and circulate a final version of the document beforehand.

CONCLUSIONS

17. You will want to record the Committee's conclusions on -

i. The package of measures to be applied in Enterprise Zones. -

ii. The principle of the first list and reserve list of sites for consultation, and any specific points on which sites should be included in which list.

iii. The inclusion of appropriate clauses in the Local Government Planning and Land Bill subject to the views of the Home Secretary's Group.

iv. Subject to that, the timetable proposed by the Chancellor of the Exchequer.

v. The Chancellor's proposal to make the initial announcement himself and then hand over the reins to the Environment Secretary - subject to your own views.

vi. The issue of the document at Annex B, subject to any drafting changes and to the Chancellor's giving the Committee advance notice of when he proposes to make his statement and circulating a final version of the document at that stage.

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