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to Mr Wilson



Prime Minister - to note.

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This exercise was set in train after your meeting with Gordon Peppie - who, you will remember, suggested

Treasury Chambers, Parliament Street, SW1P 3AG the idea.

4 June 1979

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The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

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Handwritten signature: Stan Michael

DISPOSALS OF LAND AND BUILDINGS IN THE PUBLIC SECTOR

As you know, I am responsible for co-ordinating our approach on asset disposals in general.

I know that you have been considering this, but a number of our colleagues are also concerned, and I think we need a co-ordinated approach if we are to cover the ground effectively. I suggest that the best way for us to proceed would be to ask Ministers concerned to arrange a quick but systematic review of the property owned by government agencies, but excluding nationalised industry property and council houses on which separate action is in hand. If you agree, I should be grateful if you and the other colleagues to whom this letter is copied could each carry out a careful examination of the scope for arranging the sale of land and buildings owned either directly by their Departments, or by government agencies for which their Departments are responsible; and if you and they would each let me know by the end of June:

- (a) what more might be done in the current year; and
- (b) what can be done in the medium term, ie within the five year public expenditure survey period.

Among the specific questions which you and they may want to consider are whether savings can be achieved by moving from, eg prime city centre sites, to cheaper locations; and whether the short term gains obtained by renting, rather than acquiring freeholds, would be worth the longer term costs.

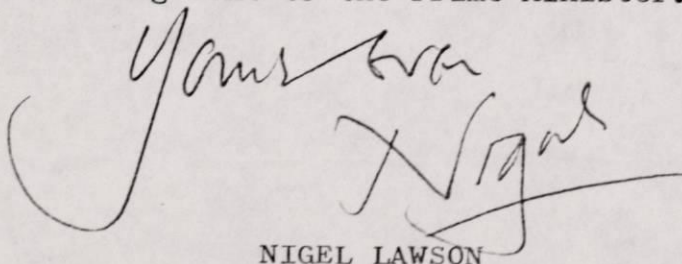
I realise that this will be a complicated and time-consuming exercise, which will need to be carried through with determination. After these first reports, we may need to agree on further follow-up reports, or some other way of keeping track of progress.

These first reviews will no doubt show that there are a number of general policy areas which we shall need to consider. Some questions which occur to me are:

- (i) Can we ensure that sales of surplus property give benefit to the PSBR, instead of encouraging expenditure in other directions, but avoid reducing the incentive for departments and public sector authorities to sell in the first place?
- (ii) Can the disposal of surplus property be speeded up by streamlining local authority planning procedures?
- (iii) What measures, including legislation, are needed to secure the sale of land and buildings owned by new town corporations on a significant scale to the benefit of the PSBR?
- (iv) What can be done to encourage or require local authorities to dispose of investment property such as factories, city centre sites etc.?
- (v) Would it be desirable to establish a special organisation to ensure that surplus property in the public sector is disposed of in an orderly, prompt and efficient manner?

Even before our first reviews have been completed, officials might usefully examine these questions. Some fall properly to the existing Land Transactions Committee, but it might be useful if my officials arranged an early ad hoc meeting to agree on how the work on these and other questions is to be undertaken.

Copies of this letter go to the Secretaries of State in the Departments listed below. A copy is also being sent to the Prime Minister.


NIGEL LAWSON

Copies to: Secretaries of State for: Ministry of Defence
Foreign and Commonwealth Office
Home Office
Department of Education and Science
Department of Health and Social Security
Department of Industry
Scottish Office
Welsh Office
Northern Ireland Office
Department of Employment

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