

I think this remark will
be taken badly - it means
are going against the point
of enterprise zones which is
exception from their
matters should



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~~Relate~~
~~to~~

Prime Minister

Agree to accept the loss
of the clause, as recommended by
the Committee?

the
24w

23 April 1981

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Great George Street
LONDON SW1

clause
no

See enclosure

EMPLOYMENT AND TRAINING BILL - ENTERPRISE ZONES

As you may have seen, Clause 4 of the Employment and Training Bill - which sought to exempt establishments in Enterprise Zones from liability to provide information to, or pay a levy imposed by, industrial training boards - was lost in Committee. We therefore need to consider what action to take at Report stage, which is likely to be soon after Easter.

It was argued against Clause 4 by some of our supporters as well as the Opposition that it would weaken the ability of industrial training boards to put pressure on employers to achieve adequate training; the Clause as drafted could exclude from levy many people working outside an Enterprise Zone so long as they were based on an establishment in the zone, that would clearly be unintended, and has attracted criticism from employers, particularly in the construction industries. It was argued that the marginal addition to the Enterprise Zone package of benefits represented by Clause 4 would not make any practical difference to the worth of the benefits taken as a whole, or the consequent likelihood of firms locating or expanding in a zone, and that the Clause should therefore be dropped, rather than attempt to meet the problem by adding complications.

I must say I have considerable sympathy with these arguments, and for my part would be prepared to drop Clause 4 completely.

Another possibility would be to seek to restore the clause on report in its existing form. The arguments for this would be that the clause as drafted is simple to operate, that any amendment to restrict the benefits to people working actually in the zone would involve some extra difficulty for proprietors of establishments in a zone in identifying those of their employees working outside it, and that anomalies are part of the price to be paid for the Enterprise Zone experiment, in which freedom from bureaucracy is a very important consideration.



Alternatively we might seek to restore the clause in an amended form. The amendment would relieve from levy those employees who work wholly or mainly at an establishment inside an Enterprise Zone and those working outside the Zone from an establishment within the Zone if their number was below the small firm exclusion level for the ITB concerned. In other words establishments in Enterprise Zones would pay levy only if they had significant numbers of employees working mainly outside the Zone, and only in respect of such employees. This would mean that all zone establishments which had employees outside the Zone would have to supply information about the numbers (or payroll) involved so that the question of liability could be determined, but this would not be particularly onerous.

I have considered and rejected other possibilities such as excluding the construction industry from the clause (which would go too far in some cases, and still leave problems in other industries, and is objectionable in principle) or seeking a minatory power to restrict the scope of the clause by order later if the potential loophole were seriously exploited (but this might be difficult to get through the House, and we would be under constant pressure to use it).

I therefore hope you and other colleagues concerned will agree that we should accept our reversal in Committee with a good grace, and leave the Bill as it is. If not, I should need to know urgently.

I am copying this letter to the other members of E Committee, to the Secretaries of State for Scotland and Wales and to Sir Robert Armstrong and Mr Robin Ibbs.