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cc/ Mr. Dorman (and previous correspondence)

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

29 April 1981

The Rt Hon James Prior MP
Secretary of State for Employment
Caxton House
Tothill Street
LONDON SW1H 9NA

The Chancellor wants the original clause reinstated: you suggested that we go for the amended version suggested by Mr. Dier (tho' he wants to drop the clause altogether).

Good!

[Handwritten signature]

EMPLOYMENT AND TRAINING BILL - ENTERPRISE ZONES

Thank you for your letter of 23 April suggesting we agree to drop Clause 4 of the Employment and Training Bill following its defeat at Committee Stage.

I do not share your view that we should accept defeat of the clause at this stage in the Bill's progress through Parliament. As you know we have given wide publicity to the incentives we intend to offer in the enterprise zones including of course the exemption from Industrial Training Board levies. We have also already managed to take the legislative powers necessary for each incentive with the exception of the ITB levy exemption. I think it would be an important breach of faith if we were to make anything less than the maximum effort to secure passage of this Clause, and thus complete the EZ package as we have always intended it to be.

I therefore strongly favour an attempt to restore Clause 4 without amendment and am correspondingly not attracted to the other options discussed in your letter. In particular, I am against any course of action which would discriminate between one firm and another. Not only would this add to the administrative burdens on firms in zones despite our commitment to minimise such burdens, it would breach a fundamental principle of the enterprise zone concept - that the pattern of development should be determined by the market and not be administrative interference. Despite strong pressures to modify this principle in the case of other fiscal concessions, we have steadfastly retained no distinctions between one firm and another. To do so in the case of the ITB levy would be an important policy shift, with unfortunate possible repercussions elsewhere.

/I believe that we



I believe that we could get the original clause through the House as it stands, and propose that it be re-inserted. If however the Whip's Office advise that it is likely to be defeated, I think we should introduce a revised clause taking minatory powers to introduce an order to prevent any abuse that had arisen. Defeat of either in the event would have to be accepted. Given that we cannot know in advance whether such abuses will arise - though I am distinctly sceptical - the order-making power seems a more sensible course than introducing an amended clause of the type discussed in your letter; that would amount to introducing a breach of the EZ principle to tackle a problem which may well turn out to be trivial or non-existent.

... I am copying this letter to the recipients of yours, and to Francis Pym enclosing a copy of your original letter.

GEOFFREY HOWE

A handwritten signature in black ink, appearing to be 'Geoffrey Howe', written over a horizontal line.