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Handwritten initials
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Handwritten signature: Geoffrey Howe

EMPLOYMENT AND TRAINING BILL - ENTERPRISE ZONES

Thank you for your letter of 6 May, in which you acknowledged the difference between the situation on ITB levy and that concerning certain other enterprise zone benefits on which pressures have arisen.

I recognised in my letter of 5 May that the amendments I propose would involve a marginal increase in form filling, in that some employers would have to provide information in respect of their employees who work outside the zones. However I do not agree that my proposal would increase rather than diminish the paperwork for many establishments in enterprise zones. What it would do is to reduce form filling, but by less than the clause as published. Moreover insofar as the employees were actually working wholly or mainly within the enterprise zone then the form filling burden would be the same under my proposal as under the clause as published. It can only be materially different for many establishments (as you said) insofar as those establishments have a significant number of workers working outside the zone.

If establishments in a zone do have a significant number of employees working outside it, I think that it is right that they should pay levy in respect of those employees, unless of course the number of them comes below the small firm exclusion level. I agree that we are not clear about the extent of this problem at present, but if, as you say, many establishments would be affected by the amendment that I propose then the problem must be significant. If not, then the extra administrative burden would be small.

As I said in my letter of 23 April, my Department has received representations from the CBI, and organisations representing employers in the Construction Industry, about the abuses which the clause as published would permit, and I do not think that it



would materially reduce the extent of their criticism if we merely took a power to restrict the operation of the clause at some later date. They would point out that minatory powers would in any case not affect people already in the zone, might well not be sufficient to discourage those who might rearrange their affairs so as to exploit the provision, and in any case could not be used retrospectively, and would argue that the possibility of abuse should be prevented now.

There is a further problem related to the Parliamentary handling of the provision, which derives from the fact that at Report Stage new clauses are considered first. The main provisions of the Bill (which concern the power to abolish industrial training boards, and the cessation of Exchequer support for the operating costs of such boards) are quite controversial, and the opposition imposed a three line whip on second reading. It would make the handling of the report stage and third reading considerably more difficult if very early on there were a controversy about the enterprise zone provisions. Parliamentary Counsel has advised that it would be possible to reinsert the provisions in the amended form in some other way, but is insistent that if the minatory power is included then the provisions must go in as a new clause. I consider this to be a significant argument against including a new order making power unless it is absolutely necessary.

In the light of the above I am still of the view that we should seek to restore the provisions in the amended form. I now understand that the report stage will not be next week, and so I did not take up your suggestion of a word in the margins of Cabinet yesterday morning. However report stage will probably be early in the week beginning 18 May, and government amendments will need to be tabled on Wednesday or Thursday next week. I very much hope that you will now feel able to agree to what I propose. If you still have doubts perhaps we could have a word, together with Michael Heseltine, before lunchtime on Wednesday?

I am copying this letter to the recipients of the previous correspondence.

I really think we have gone as far as we should

Yours