



Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Patrick Jenkin MP
 Secretary of State for the Environment
 Department of the Environment
 2 Marsham Street
 London
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Alan Patrick

BIRMINGHAM CONVENTION CENTRE

Thank you for your letter of 9 July. I have also seen Grey Gowrie's letter of 11 July. The new proposals are not very different in substance from the previous proposal. They exploit loopholes in our unsatisfactory capital control system, and require just as much public expenditure.

I am unhappy about overt government support for a scheme where the economic benefits are uncertain, with continuing subsidy to its operating costs needed from Birmingham ratepayers. (In the last resort that is a matter for Birmingham but I need hardly say that there is no prospect of any special concessions if this were to lead to problems for them). Secondly, we should not lightly endorse and encourage use of loopholes to add to our problems of control of LA capital expenditure. Finally, and most difficult of all, you ask me to agree to waive the normal rules on ERDF grants received by local authorities. This runs counter to the important principle of the treatment of EC receipts and public expenditure, and would set an extremely awkward precedent for other local authority projects. The normal reduction in Birmingham's borrowing approval must be applied if they, or the company they controlled to do this project, received a grant.

I would of course be willing to discuss this with you as you suggest. I am copying this letter to the Prime Minister, Norman Tebbit, Tom King, David Young, Peter Walker, Norman Fowler, and Grey Gowrie.

Peter Rees

PETER REES

