



cc No
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:
Your ref:

18 July 1985

Dear Chief Secretary

BIRMINGHAM CONVENTION CENTRE

Thank you for your letter of 16 July, which we briefly discussed today. I have also seen the letters from Norman Tebbit of 5 July and Grey Gowrie of 11 July, both expressing support for the proposal.

You expressed doubt about three issues:

1. The need for overt Government support for a scheme whose economic basis is uncertain;
2. Birmingham's use of loop holes in the capital expenditure control system;
3. Birmingham's request to avoid the normal consequence of the additionality rules by being given a borrowing consent equivalent to the ERDF grant.

If the project is to go ahead at all, we cannot avoid the need for overt Government support in Brussels for the project. This is essential if the Commission is to be convinced that it should be given grant from the ERDF. But I hope that I can offer you sufficient reassurance on the other two points for you to feel that you need not press your objection on the first.

Our support in Brussels would in no way imply that we endorsed or encouraged the use of loop holes in the capital control system. Birmingham have needed no prompting to find ways round the difficulties for themselves. In Brussels we would be expressing support for the Convention Centre; not for the precise ways in which Birmingham may choose to finance it.

I recognise your difficulties on additionality. Although it puts still more of the burden on Birmingham ratepayers, I am prepared to write to the City Council, indicating that I will support the project in Brussels, but that apart from the ERDF grant that they hope to receive, they will otherwise have to live with the present rules, and

can expect no additional allocation or borrowing consent. The onus will then be on Birmingham to consider whether to go ahead with the project. I believe that one means by which they might do so would be to build up a capital fund from the rates. They already have the necessary spending power from the prescribed proportion available from "notional" capital receipts which are not backed by cash.

I should be grateful for an early reply; if the project is to be included in the current ERDF round we must confirm our support for Birmingham's application next week.

I am copying this letter as before to the Prime Minister, Norman Tebbit, Tom King, David Young, Peter Walker, Norman Fowler and Grey Gowrie.

Yours sincerely

for Atkin
PATRICK JENKIN

*Approved by the JTS and
signed in his absence*

REG POL: Inner Cities Pb

