

# dti

the department for Enterprise

BF 1517

18/7 2017

The Rt. Hon. Lord Young of Graffham  
Secretary of State for Trade and Industry

The Rt Hon John Major MP  
Chief Secretary to the Treasury  
Treasury Chambers  
Parliament Street  
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Trade and Industry

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Our ref PS7AJT  
Your ref  
Date 11 July 1988

CHIEF SECRETARY	
REC.	11 JUL 1988
ACTION	Mr Walker
COPIES TO	C. Sir P Middleton
	Mr Anson, Mr Mack
	Mr Burgess, Mr Turnbull
	Mr Call

*John*

### ENGLISH ESTATES' FUTURE STRATEGY

Kenneth Clarke and I have been considering with the Board of English Estates how they should modify their approach to the development programme in the Assisted Areas. We have been doing so against the background of an improvement in market conditions which holds out the prospect of renewed private sector activity in a number of areas which have hitherto relied exclusively on public sector provision. Your officials have already seen a copy of an initial strategy document prepared by the Board which has helped us to reach our general conclusions.

... Those conclusions are set out in the attached draft statement which we propose, with your agreement, to make before the Parliamentary Recess. Our broad objective is to get English Estates to distinguish clearly between those parts of the Assisted Areas and those products where renewed activity by the private sector is likely (the implication being that English Estates should withdraw) and those where public sector intervention either directly or with some form of risk sharing arrangement continues to be necessary to support the provision of industrial and commercial accommodation.





the department for Enterprise

**DRAFT PARLIAMENTARY STATEMENT: EIEC**

As the White Paper, 'DTI - the department for Enterprise', Cm 278 made clear, the activities of English Estates are an important instrument of our policies which seek to support economic development and encourage enterprise in the regions and inner cities. The recently launched programme aimed at increasing the supply of managed workspace in the inner cities has added an new dimension to their role which is likely to have steadily increasing importance in future.

In the Assisted Areas the essential role of English Estates is to seek to ensure that suitable premises and sites are available to meet the needs of new and growing businesses which would not otherwise be met. It does this in a variety of ways including the development of factories, workshops and offices either in advance of demand or to meet the needs of specific customers. It also actively facilitates provision by private sector developers, investors and owner occupiers.

Improving economic conditions have enabled English Estates in recent years to achieve successive annual improvements in the amount of floorspace let and

sold. There is, nevertheless, an unsatisfied demand for premises which, combined with rising rental levels and the prospect of continuing economic growth, is leading to renewed interest by the private sector in providing industrial and commercial floorspace in some parts of the Assisted Areas. If the property needs of industry and commerce are to be met, it is essential that this interest should be further encouraged. This requires a suitable response on the part of English Estates. We have, therefore, been considering with the Board of the Corporation how the planning and execution of its Assisted Areas programme should be developed.

On the basis of advice from the Board we have concluded that in order to reinforce existing market trends English Estates should adopt fresh approaches designed to secure increased private sector activity wherever possible.

This will affect English Estates' policies towards rental levels and sale prices. Hitherto, the general requirement has been that these should be set at the maximum level the market would bear. For the future English Estates will have the more specific objective of endeavouring to increase rents and sale prices to

levels which will make equivalent developments attractive to the private sector.

The emphasis of English Estates' development strategy will also change substantially with the aim of securing increased private sector activity. Thus English Estates role as a facilitator will assume much greater significance through the marketing of development opportunities, the preparation and disposal of serviced sites, joint ventures and the sale of completed schemes to investors. English Estates will only use its own development funding in the areas and for the products where private sector provision remains inadequate.

Thus in considering the shape of its future programme in the Assisted Areas English Estates will have regard to three categories of area and types of property. In the first, the presumption will be that the private sector will be meeting demand without the involvement of English Estates. In the second, it is likely that English Estates will need to participate in some form of joint venture in some types of development if private sector involvement is to be triggered. We shall consider with English Estates the cost-effectiveness of particular arrangements which may be necessary to encourage appropriate private sector

provision. In the third, where there is no immediate prospect of private sector provision, English Estates will continue to act as a funder and developer, but on the basis of the rentals and sales policy outlined above.

In future I shall be determining the size of English Estates' annual development programme on the basis of advice from the Board about market demand, the likely level of private sector provision and the availability of public sector resources. I shall also take into account the need to balance the demand for resources between the Assisted Areas programme and the new inner city managed workspace programme as the latter develops. Decisions about which developments are to be undertaken will remain the responsibility of the Board acting within the framework I have just described. I have asked the Board to take steps to publish regularly a programme describing the projects planned to be pursued in each region in particular financial years. I shall expect the geographical boundaries of that programme to take full account of changing rental levels and development costs.

1. Mr Neil Williams (IAE2) <sup>24/7</sup>

2. Mr Waller <sup>More drafting change</sup>

3. Chief Secretary <sup>15/7</sup>

From: Michael Romberg

14 July 1988

File IRARD J/11

cc Sir Peter Middleton  
Mr Anson  
Mr Monck (Industry)  
Mr Burgner (IAE)  
Mr Stevens (IAE2)  
Mr Turnbull (GEP)  
Mr MacAuslan (GEP1)  
Mr Richardson (GEP2)  
Mr Meyrick (EI)  
Ms Osmond (CA)  
Mr Ellis (P2)  
Mr Call

## ENGLISH ESTATES: FUTURE STRATEGY

### Summary

1. English Estates build factories in the assisted areas. In parts of the assisted areas, this function could be left to the private sector. Lord Young's letter of 11 July 1988 shows that he is planning a withdrawal strategy. This is encouraging. The details have yet to be worked out. But Lord Young would like to make a statement now. To avoid prejudicing Survey discussions and consideration of English Estates' forthcoming corporate plan, the statement would have to be non-committal, and there seems little real advantage in making it. But, so long as it is sufficiently non-committal, there would be little harm. Therefore, subject to minor points on drafting, I recommend that you do not object to the statement. A draft reply is attached.

## Background

2. English Estates build factories in the assisted areas. An initial look by English Estates at yields on their factories suggested that the assisted areas could be divided into three categories:

(i) in some parts, yields should be high enough to let the private sector operate freely; here, English Estates should cease to act as a developer;

(ii) in some parts where such attractive yields were in prospect, rents should be raised and joint ventures with the private sector should be pursued, perhaps involving rental guarantees.

(iii) in other areas the return of the private sector was still a long way off, and English Estates should continue to act as a developer as at present, although it should seek actively to raise rental levels.

3. We do not know the balance of size of these three sectors. English Estates' initial look was not detailed enough to let decisions be made. A number of ways of encouraging private sector provision have been canvassed, including long rental guarantees, but we have not yet had detailed proposals.

4. Lord Young's letter of 11 July 1988 wishes to make a statement now by way of an arranged written answer in order to :

(i) ease problems of staff morale; and

(ii) counter criticisms of inadequate factory provision in the North East.

5. You will need to ensure that nothing is said publicly which would prejudice discussion of resources in the Survey, for example by promising higher activity in those areas where English Estates would continue to operate. Provision for English Estates is £19m a year. The initial advice to you on the Survey suggests that you should seek a modest reduction in baseline of £2m because of: the withdrawal strategy; and the difficulties in finding private sector firms interested in participating in English Estates' inner cities managed workspace programme.

6. Since the statement could not contain details, it is difficult to believe that it would be effective in meeting either objective. But provided that the statement was sufficiently non-committal, you need not object to Lord Young making it. With a few minor drafting points, Lord Young's draft is acceptable.

7. A draft letter is attached.

MR

Michael Romberg

IAE2; 270 4662; Rm 114/G



DRAFT OF 14 JULY 1988

The Right Honourable  
The Lord Young of Graffham  
Secretary of State for Trade and Industry  
1 - 19 Victoria Street  
London  
SW1

**ENGLISH ESTATES: FUTURE STRATEGY**

1. Thank you for your letter of 11 July 1988.
2. The role of English Estates is to provide factory premises only where there is clear evidence of market failure, and where State provision does not run the risk of perpetuating that market failure. I therefore welcome your decision to take steps to ensure that English Estates operate within that framework by pursuing a withdrawal strategy. It is sensible to ensure that English Estates withdraw from areas where the market could provide premises, or where English Estates' continuing intervention is likely to delay further the return of market operators.
3. However, it is too early to take decisions on the withdrawal strategy without looking in detail at the arrangements for ensuring its success in the context of English Estates' corporate plan. Consequently, any public statement that was made at this stage would have to be consistent with a wide range of possible outcomes for decisions on the details of the withdrawal strategy. In particular, future levels of resources for English Estates are a matter for the Survey.
4. Given that inevitable constraint, I am not convinced that a statement would help you to deal with the two areas of concern that you face: staff morale; and pressures on premises in the North East. If you are nonetheless particularly keen to make one, I would not wish to stand in your way. Subject to a few drafting changes annexed to this letter, I can agree to the draft written answer which you have proposed.
5. My agreement to this statement is on the understanding that nothing which is said subsequently in elucidation of the statement goes beyond the terms agreed, before I have had the chance to consider your detailed proposals on the implementation of the withdrawal strategy.

JOHN MAJOR

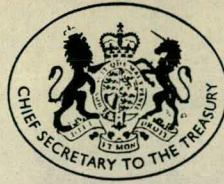
Annex

**ENGLISH ESTATES: FUTURE STRATEGY:  
DETAILED COMMENTS ON THE DRAFT WRITTEN ANSWER**

Page 1, 1st paragraph, last sentence [Managed Workspaces]. Future resources for the managed workspace programme are a matter for the Survey. The sentence should therefore be ended after the word "role".

Page 3, 1st complete paragraph, last sentence [English Estates' residual Development Role]. I suggest that you add to the end of this sentence text along the lines of: "and where public sector intervention does not represent a threat to the expansion of the free market".

Page 4, last paragraph, last sentence [English Estates' forward plan - geographical boundaries]. It would be useful to make clear that it is your intention that the geographical boundaries of English Estates' operation should be narrowed over time.



2 EX Suitmooler, Mr Hanson,  
 Mr Manek, Mr Walker, Mr Burgess  
 Mr Stevens, Mr Tombull,  
 Mr Mac Anslan, Mr Richardson,  
 Mr Williams, Mr Mayrick,  
 Mr Remberg, Mr Osmond,  
 Mr Ellis, Mr Carr

Treasury Chambers, Parliament Street, SW1P 3AG

18 July 1988

The Rt Hon The Lord Young of Graffham  
 Secretary of State for Trade and Industry  
 1-19 Victoria Street  
 LONDON SW1

Dear David,

*Handwritten notes in red ink:*  
 We want to  
 make the withdrawal  
 as complete as possible. There is  
 a strong case for  
 - was a  
 Howard  
 date

**ENGLISH ESTATES : FUTURE STRATEGY**

Thank you for your letter of 11 July 1988.

The role of English Estates is to provide factory premises only where there is clear evidence of market failure, and where State provision does not run the risk of perpetuating that market failure. I therefore welcome your decision to take steps to ensure that English Estates operate within that framework by pursuing a withdrawal strategy. It is sensible to ensure that English Estates withdraw from areas where the market could provide premises, or where English Estates' continuing intervention is likely to delay further the return of market operators.

However, it is too early to take decisions on the withdrawal strategy without looking in detail at the arrangements for ensuring its success in the context of English Estates' corporate plan. Consequently, any public statement that was made at this stage would have to be consistent with a wide range of possible outcomes for decisions on the details of the withdrawal strategy. In particular, future levels of resources for English Estates are a matter for the Survey.

On that understanding, I am content with the draft written answer you propose, subject to the drafting changes annexed to this letter. It follows that nothing said subsequently in elucidation of the statement should go beyond the terms agreed before I have had the chance to consider your detailed proposals on the implementation of the withdrawal strategy.

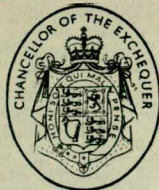
Yours faithfully,  
  
 JOHN MAJOR

**ENGLISH ESTATES : FUTURE STRATEGY:  
DETAILED COMMENTS ON THE DRAFT WRITTEN ANSWER**

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Page 4, last paragraph, last sentence [English Estates' forward plan - geographical boundaries]. It would be useful to make clear that it is your intention that the geographical boundaries of English Estates' operation should be narrowed over time.



FROM: J M G TAYLOR  
DATE: 25 July 1988

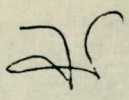
PS/CHIEF SECRETARY

cc Sir P Middleton  
Mr Anson  
Mr Monck  
Mr Burgner  
Mr Turnbull  
Mr MacAuslan  
Mr Richardson  
Mr Waller  
Mr Meyrick  
Mr N Williams  
Mr Romberg  
Mr Osmond  
Mr Ellis  
Mr Call

**ENGLISH ESTATES: FUTURE STRATEGY**

The Chancellor has seen Mr Romberg's submission of 14 July, and the Chief Secretary's letter of 18 July to Lord Young.

2. He has commented that we want to make the withdrawal as complete as possible. There is a strong case for announcing - now - a terminal date.

  
J M G TAYLOR

It would not be possible to insert a terminal date or dates into the proposed statement without substantially altering the nature of that statement in ways which would be unacceptable to DTI Ministers  
Neil Williams  
26/7

1. Mr Neil Williams
2. Mr Waller
3. Chief Secretary

From: Michael Romberg

26 July 1988

File IRARD J/7

cc PS/ChEx

Sir Peter Middleton  
Mr Anson  
Mr Monck  
Mr Burgner  
Mr Turnbull  
Mr MacAuslan  
Mr Richardson  
Mr Meyrick  
Ms Osmond  
Mr Ellis  
Mr Call

## ENGLISH ESTATES: FUTURE STRATEGY

### Summary

1. English Estates build factories in the assisted areas. On 11 July 1988, Lord Young sought your consent to a draft statement announcing preliminary consideration of a withdrawal strategy under which English Estates would progressively leave factory building to the private sector (my submission of 14 July 1988 gives background). Your reply of 18 July 1988 agreed to the statement subject to changes designed to maintain your position in the Survey and emphasising the withdrawal elements. DTI have accepted your points.

2. Mr Taylor wrote on 25 July 1988 recording that the Chancellor wished for a terminal date to be announced now. DTI are to make their statement later this week. On the information currently available, no terminal date could be set at this stage. I therefore recommend that you should not seek to alter the terms of the statement. But it would be useful to get the thought across to DTI so that the English Estates corporate plan promised in the summer recess will include the setting of dates for those areas where continued activity is envisaged for the present. A draft letter is attached.

### Background

3. English Estates build factories in the assisted areas. The withdrawal strategy would divide these areas into three:

(i) Where yields were already good enough, English Estates would leave provision to the market.

(ii) Where yields could soon be good enough, English Estates would increase rents and lever in the private sector through rental guarantees, with total English Estates withdrawal to follow.

(iii) Where there was no prospect of yields approaching those required by the private sector soon, English Estates would continue to undertake direct provision, but would raise rents and hope to move these areas gradually into category (ii).

4. The DTI statement gives an outline of this approach. The statement is an early announcement, made now to deal with problems of staff morale and criticisms of inadequate building in the North East. The revised text, annexed under Phillips' letter of 25 July 1988 to Waller (copy attached), meets the points you made in your letter of 18 July 1988. In particular the concluding sentence refers to the geographical boundaries of the areas of direct provision being expected 'to narrow significantly over time'.

5. Mr Taylor wrote on 25 July 1988 recording that the Chancellor wanted to make the withdrawal as complete as possible. He saw a strong case for announcing now a terminal date.

6. As yet, English Estates have not done the work which would enable a date to be set either for the termination of the assisted areas programme as a whole or for the phases of the withdrawal strategy. Nor would such a definite declaration sit easily in what is very much a preliminary statement of the approach to be adopted.

7. But it would be worth emphasising to DTI that English Estates' corporate plan, expected in about September 1988, should come up with firm proposals on dates. The attached draft letter makes that point.

MR

Michael Romberg  
IAE2  
270 4662  
Rm 114/G

DRAFT LETTER FROM CST TO LORD YOUNG  
(draft of 26 July 1988)

**ENGLISH ESTATES: FUTURE STRATEGY**

1. I am grateful to you for accepting the changes that I suggested on 18 July 1988 to the terms of the draft written answer announcing your future strategy for English Estates.
2. There is one additional important point that I would wish to see covered in English Estates' corporate plan due later this year.
3. It is important to give the private sector every confidence in the withdrawal strategy. An essential element in boosting confidence and enabling the private sector to prepare itself for a greater role, is the need to announce well in advance the dates for the progressive narrowing of the boundaries of English Estates' direct provision.
4. I should therefore be grateful if you would ensure that the English Estates 1988 Corporate Plan covers not only their immediate withdrawal from areas where the private sector could take over now, but also the setting of the dates for withdrawal from those areas where a facilitating or residual funding role is still thought necessary for the time being.

JOHN MAJOR



376e

costs OK Yes  
1. Mr. [unclear] 26/7/88  
2. file

M A Waller Esq  
HM Treasury  
R116G, Treasury Chambers  
Parliament Street  
LONDON SW1P 3AG

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Trade and Industry**

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Our ref  
Your ref  
Date 25 July 1988

*Dear Mike,*

**ENGLISH ESTATES: PARLIAMENTARY STATEMENT**

....

I enclose a copy of the final version of the statement on English Estates which DTI Ministers have amended to reflect the points in the Chief Secretary's letter of 18 July. An arranged question is being put down for answer tomorrow or on Wednesday.

*Yours sincerely,  
Jonathan Phillips*

**JONATHAN PHILLIPS**

JP2AEL



the department for Enterprise

## DRAFT PARLIAMENTARY STATEMENT: EIEC

As the White Paper, 'DTI - the department for Enterprise', Cm 278, made clear, the activities of English Estates are an important instrument of our policies which seek to support economic development and encourage enterprise in the regions and inner cities. The recently launched programme aimed at increasing the supply of managed workspace in the inner cities has added an important new dimension to its role.

In the Assisted Areas the essential role of English Estates is to seek to ensure that suitable premises and sites are available to meet the needs of new and growing businesses which would not otherwise be met. It does this in a variety of ways including the development of factories, workshops and offices either in advance of demand or to meet the needs of specific customers. It also actively facilitates provision by private sector developers, investors and owner occupiers.

Improving economic conditions have enabled English Estates in recent years to achieve successive annual improvements in the amount of floorspace let and



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sold. There is, nevertheless, an unsatisfied demand for premises which, combined with rising rental levels and the prospect of continuing economic growth, is leading to renewed interest by the private sector in providing industrial and commercial floorspace in some parts of the Assisted Areas. If the property needs of industry and commerce are to be met, it is essential that this interest should be further encouraged. This requires a suitable response on the part of English Estates. We have, therefore, been considering with the Board of the Corporation how the planning and execution of its Assisted Areas programme should be developed.

On the basis of advice from the Board we have concluded that in order to reinforce existing market trends English Estates should adopt fresh approaches designed to secure increased private sector activity wherever possible.

This will affect English Estates' policies towards rental levels and sale prices. Hitherto, the general requirement has been that these should be set at the maximum level the market would bear. For the future English Estates will have the more specific objective of endeavouring to increase rents and sale prices to

levels which will make equivalent developments attractive to the private sector.

The emphasis of English Estates' development strategy will also change substantially with the aim of securing increased private sector activity. Thus English Estates role as a facilitator will assume much greater significance through the marketing of development opportunities, the preparation and disposal of serviced sites, joint ventures and the sale of completed schemes to investors. English Estates will only use its own development funding in the areas and for the products where private sector provision remains inadequate and where it will not impede the return to a properly functioning property market.

Thus in considering the shape of its future programme in the Assisted Areas English Estates will have regard to three categories of area and types of property. In the first, the presumption will be that the private sector will be meeting demand without the involvement of English Estates. In the second, it is likely that English Estates will need to participate in some form of joint venture in some types of development if private sector involvement is to be triggered. We shall consider with English Estates the



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cost-effectiveness of particular arrangements which may be necessary to encourage appropriate private sector provision. In the third, where there is no immediate prospect of private sector provision, English Estates will continue to act as a funder and developer, but on the basis of the rentals and sales policy outlined above.

In future I shall be determining the size of English Estates' annual development programme on the basis of advice from the Board about market demand, the likely level of private sector provision and the availability of public sector resources. I shall also take into account the need to balance the demand for resources between the Assisted Areas programme and the new inner city managed workspace programme as the latter develops. Decisions about which developments are to be undertaken will remain the responsibility of the Board acting within the framework I have just described. I have asked the Board to take steps to publish regularly a programme describing the projects planned to be pursued in each region in particular financial years. I shall expect the geographical boundaries of that programme to narrow significantly over time as they take full account of changing rental levels and development costs.