



DEPARTMENT OF INDUSTRY  
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LONDON SW1E 6RB

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Key  
Pd

Secretary of State for Industry

10 November 1981

The Rt Hon George Younger MP  
Secretary of State for Scotland  
Scottish Office  
Dover House  
Whitehall  
London SW1

mb.

Dear George,

IDC POLICY

I am writing to seek your views and those of colleagues on possible changes in the present system of IDC controls.

2 You will recall that in July 1979, Keith Joseph abolished IDCs in Intermediate Areas and raised the exemption limit in non Assisted Areas to 50,000 sq ft. Subsequently, in June 1980, we made IDCs for speculative developments freely available subject only to the condition that no part of a development covered by an IDC could be occupied by a firm moving from the Assisted Areas (AAs) and that no firm could occupy more than 50,000 sq ft.

3 The broad effect of these changes is reflected in the attached breakdown of applications received between August 1979 and 30 June 1981. This shows that 372 applications for developments over 50,000 sq ft were submitted in this period (against total applications of 3,700 in the two years up to August 1979) of which speculative developments accounted for about half. All were approved. The exemption limit was set at 50,000 sq ft because it was felt that the control was useful in identifying large projects which were potentially mobile but, so far as I am aware, the procedure has caused few, if any, firms to relocate their projects in the AAs.

4 In the circumstances, I have been considering whether IDCs as presently operated serve any useful purpose. Ending the control would be entirely consistent with our aim of reducing burdens on industry and with the general thrust of our industrial policy. The CBI regards IDCs as a major dis-incentive to new investment outside the AAs and believes that the policy is detrimental to





industrial efficiency and the economy as a whole. Ending the control would also produce significant savings in Civil Service staff costs, £100,000 a year immediately in DOI and more from 1 August 1982 when the control is due to be re-imposed in areas losing AA status. Against this, any change in the present system would be presented by our opponents and the regional lobby as a weakening of regional policy but, conversely, the removal of the control would be warmly welcomed in the West Midlands and, for this reason, helpful in resisting claims for AA status from that region. It would also avoid the political problems involved in re-introducing IDC requirements next August in downgraded areas. The regional policy arguments thus cut both ways.

5 My view is that the IDC system has outlived its usefulness and that we should bring it to an end. IDCs played a positive role in regional policy in the 1960s but there are now far fewer mobile projects and the main focus of regional policy now and in the future must necessarily be on encouraging indigenous growth in the AAs though the development of new and existing businesses. IDCs are largely irrelevant to such a policy and the limited contribution they can make is outweighed by the substantial cost of operating the control and the negative effects on industry. In practice, the only thing lost if the control was ended would be the opportunity to ensure that firms considering new investment were aware of the incentives available in the AAs but we could meet criticism on this score by stepping up our current efforts to improve industry's awareness of regional (and national) incentives and by making it clear that inward investment - which accounts for a substantial proportion of the large mobile projects coming forward in any one year - will continue to be steered as far as possible to the AAs. For the rest, all we would be doing would be to bring the policy into line with what has been the practice under successive governments over the past 10 years.

6 If we do decide to end the control, we have two main options:

- a outright abolition; or
- b suspension through legislative action.

Intermediate options - eg raising the exemption limit so that the control bites on only a handful of cases or indicating to industry that all applications will be approved automatically - are ruled out on legal grounds and would neither remove the burden on industry nor produce any worthwhile savings in manpower.

7 Abolition has political attractions but would require primary legislation to repeal the relevant provisions of both the Town and Country Planning Act 1971 and the Town and Country Planning





(Scotland) Act 1972. Suspension, on the other hand, could be achieved by a Statutory Instrument subject to negative resolution which revoked the current Orders (one covering England and Wales, the other Scotland) which prescribe the classes of industrial buildings covered by IDC controls. There is of course a fine distinction between abolition and suspension but so far as industry (and the regional lobby) is concerned the practical effect would be the same. My view is that given the difficulties and delays involved in primary legislation we should opt for suspension.

8 We also need to consider the timing of any action with some care. If we are going to suspend the control, logic suggests we should do as quickly as possible but there is a case for doing nothing until we have completed next year's review of AA boundaries and then announcing suspension and the results of the review at the same time. Presentationally, there may also be advantage in delaying action on IDCs until any changes arising from the current discussions about Regional Development Grants have been announced and taken effect. On balance, I am still inclined to move quickly.

9 I am copying this letter to Nicholas Edwards and Jim Prior and to Michael Heseltine and Norman Tebbit since both have a departmental interest in IDCs. In view of the close interest she took in the 1979 policy review, I am also sending a copy to the Prime Minister.

Yours  
Kitt



## ANNEX 1

IDC APPLICATIONS : 1 AUGUST 1979 - 30 JUNE 1981

	Over 50,000 sq ft to 100,000 sq ft				Over 100,000 sq ft				Total			
	No	Area	Est Additional Employment		No	Area	Est Additional Employment		No	Area	Est Additional Employment	
		'000 sq ft	Males	Total		'000 sq ft	Males	Total		'000 sq ft	Males	Total
Aug-Dec 1979	41	2762	760	2041	20	4686	949	1921	61	7448	1709	3962
1980	104	7549	4533	6513	70	15899	2585	4452	174	23448	7118	10965
Jan-June 1981	66	4952	1040	1519	71	15919	2545	7661	137	20871	3585	9180
TOTAL	211	15263	6333	10073	161	36504	6079	14034	372	51767	12412	24107

Notes: (1) A further 65 applications were received in this period involving developments of less than 50,000 sq ft.

(2) All applications were approved.



1981





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ASHDOWN HOUSE  
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Secretary of State for Industry

3 December 1981

Michael Scholar Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW1

NBPM

Dear Michael

SUSPENSION OF INDUSTRIAL DEVELOPMENT CERTIFICATE (IDC) CONTROLS

In his letter to the Secretary of State for Wales of 30 November, my Secretary of State proposed that the Government should announce the suspension of IDC controls during tomorrow's Debate on the West Midlands.

2 My Secretary of State discussed his letter with those Ministers most directly concerned with IDC policy and they are content with his proposal. We have had no other comments. Mr John MacGregor will, therefore, announce this decision during tomorrow's Debate.

3 I am copying this letter to the private secretaries to the recipients of earlier correspondence on this subject and to the private secretaries to the Leader of the House and the Chief Whip.

Yours ever

Richard

RICHARD RILEY  
Private Secretary





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Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Patrick Jenkin MP  
Secretary of State  
Department of Industry  
Ashdown House  
123 Victoria Street  
London SW1E 6RB

3 December 1981

*to Patrick*

IDC POLICY

*below*

Thank you for sending me copies of your correspondence with Nick Edwards and George Younger, ending with your letter of 30 November, about possible changes in IDC policy.

I agree that there is a case for suspending IDC control and the forthcoming debate on Friday seems to provide a suitable opportunity to announce the change.

Copies of this letter go to the recipients of yours.

*Leon Brittan*

LEON BRITTAN

- 4 DEC 1981







Prime Minister

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Ms 3/12

Caxton House Tothill Street London SW1H 9NAF

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Rt Hon Patrick Jenkin MP  
Secretary of State for  
Industry  
Ashdown House  
123 Victoria Street  
LONDON  
SW1

2 December 1981

*D. Peabrick,*

IDC POLICY

Thank you for copying to me your letter of 10 November to George Younger suggesting possible changes in the system of Industrial Development Certificates. I have also seen his reply of 24 November and Nicholas Edwards' letter of 23 November.

I entirely agree with you that the IDC system has had its day. I understand Nicholas Edwards' concern that this would be regarded as a weakening of our regional policy, but I am sure he would agree that, subject to the important question of presentation, there is no point in maintaining a burden on industry that has next to no practical value.

As to the timing of an announcement, I think that George Younger and Nicholas Edwards have a point in saying that there would be advantage in waiting until the results of the review of Assisted Area boundaries are available and announcing the two things together. By then nearly three years will have elapsed since Keith Joseph's announcement about regional policy on 17 July 1979, in which he said "I am satisfied that the IDC procedure can still be useful" - long enough for us to contend that conditions have





altered in the meantime. Unless there is a pressing need to go ahead now I would therefore think it better to include this in the outcome of the Review.

I am copying this letter to the recipients of yours.

*M. ...*  
*Norman*



-2 DEC 1981







Northern Ireland Office  
Stormont Castle  
Belfast BT4 3ST

NBPM

The Rt Hon Patrick Jenkin MP  
Secretary of State for Industry  
Department of Industry  
Ashdown House  
123 Victoria Street  
LONDON  
SW1E 6RB

2 December 1981

*Pat Jenkin*

IDC POLICY

Thank you for sending me a copy of your letter of 10 November to George Younger proposing a suspension of the present system of IDC controls.

I agree that these controls have outlived their usefulness and I agree that they should be suspended.

I am copying this letter to recipients of yours.

*Yours*  
*T Jenkin*





2 DEC 1981





Secretary of State for Industry

DEPARTMENT OF INDUSTRY  
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AD  
 JV  
 BT  
 AW

NDC

Told Ian Ellison

PM has seen.

MS 1/12

30 November 1981

Rt Hon Nicholas Edwards MP  
 Secretary of State for Wales  
 Welsh Office  
 Gwydyr House  
 Whitehall SW1

Prime Minister

Content for Mr MacGregor  
 to announce suspension of IDC  
 controls, on 3 December?

MS 30/11

Dear Nick,

IDC POLICY

Thank you for your letter of 23 November commenting on the possible changes in IDC policy outlined in my letter of 10 November to George Younger. I have also seen George's response of 24 November.

2 Whilst I would not wish to under-estimate the points you make in your second paragraph, I do not think they are decisive arguments against ending IDC controls. I accept that the IDC procedure has some value as a source of information about potentially mobile projects but I do not believe that retention of the control can be justified on information grounds alone nor that it is a necessary underlay for our policy of steering inward investment as far as possible to the Assisted Areas. As far as your suggestion that the exemption limit should be raised from 50,000 to 100,000 square feet is concerned, I do not think that this would serve any real purpose; in particular, it would do little to reduce the substantial administrative burden on industry and would virtually eliminate the scope for departmental staff savings. If we are to make changes in current policy, suspension is the only realistic option.

3 As regards the timing of any change, there is, as George Younger says, a case for delaying any announcement until we have completed next year's review of Assisted Area boundaries. On the other hand, an immediate announcement that we are suspending the control would help us considerably in resisting further claims from the West Midlands for Assisted Area status and would be warmly welcomed by industry and by our supporters. Nor can I see that it makes sense to continue even for a short time to operate an expensive and burdensome control which no longer serves any effective purpose.





4 I believe we should make an announcement at the first suitable opportunity and I propose therefore that John MacGregor in winding up next Friday's debate on the West Midlands - which will certainly produce strong complaints about IDCs from Members on both sides of the House - should make it clear that whilst maintaining a strong regional policy we intend to take immediate steps to suspend IDC controls. Unless I hear anything to the contrary by 11am on 3 December, I will assume that you and other recipients of this letter are content with this course.

5 I am copying this letter as previously to George Younger, Jim Prior, Michael Heseltine and Norman Tebbit and to the Prime Minister. Copies of the letter and our previous correspondence on this subject also go to other E(EA) colleagues and to Sir Robert Armstrong.

*You see*  
*Patel*



30 NOV 1984

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CONFIDENTIAL

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SCOTTISH OFFICE  
WHITEHALL LONDON SW1A 2AU

Prime Minister

MUS 25/11

The Rt Hon Patrick Jenkin MP  
Secretary of State for Industry  
Ashdown House  
123 Victoria Street  
LONDON  
SW1E 6RB

24 November 1981

*mf*

#### IDC POLICY

Thank you for your letter of 10 November about your proposal to end the current system of IDC controls.

I recognise that as presently operated the control is of no practical value in regional policy terms and that ending it would seem a logical step to take. It would also, as you say, be in line with our overall policy of reducing administrative burdens on industry. Nevertheless, the control has long been regarded as a regional policy instrument and an announcement to end it will be seen, however unjustly, as a weakening of our regional policy effort and as evidence of a lack of commitment to the assisted areas. There would be all the more danger of this, in my view, if such an announcement were to be associated with any decisions which may be made to reduce the rate or coverage of Regional Development Grants.

I am not inclined to argue for retention of the control but I think it is essential to get the timing and presentation of the announcement right. I am strongly of the view it should be delayed until it can be linked with our announcement of decisions on the assisted areas review. This would place the matter in the context of our overall regional policy and might serve as some comfort to those areas which are losing their assisted area status.

I am copying this letter to the recipients of yours.

GEORGE YOUNGER



25 NOV 1997

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Prime Minister

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Mus 25/11

WELSH OFFICE  
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Y SWYDDFA GYMREIG  
GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER  
Tel. 01-233 3000 (Switsfwrdd)  
01-233 6106 (Llinell Union)

Oddi wrth Ysgrifennydd Gwladol Cymru

The Rt Hon Nicholas Edwards MP

From The Secretary of State for Wales

CONFIDENTIAL

23<sup>rd</sup> November 1981

*De Parvill*

*ms*

Thank you for sending me a copy of your letter of 10 November to George Younger about possible changes in the existing system of IDCs.

I start from the position that IDCs have undoubtedly in the past contributed much to development in areas such as Wales and that any move formally to abolish them would be regarded as a step back favouring the non-assisted areas. For a variety of reasons, of course, the control's immediate value in diverting industrial growth to areas which are in particular need of it has become less in recent years but I would be reluctant to agree that we should now abandon the control on that count alone or indeed on the basis that it will secure administrative savings. While I do not in any way underestimate the importance of the latter I believe the cost of the control can be justified in two ways. First, the continuing need to know of companies investment plans at an early stage in order that the advantages of assisted area locations can be brought very clearly to their attention at that time and second, the need to ensure to the maximum extent that we can that new projects being set up by overseas companies are located in assisted areas. In some circumstances we may have to concede on this requirement in order not to lose a project to the UK but such cases are at best bound to be few and if we do wish to keep them to an absolute minimum this can best be done by having the IDC control in the background.

I would therefore prefer no change but I wonder whether simply raising the ceiling, for example to 100,000 sq ft, would be a possible course to follow. Such a change could be made now and without technical difficulty. If thereafter we felt obliged to go further I would want to argue for suspension rather than abolition of the control and a deferral of any announcement, as you mention in your letter, until it could be set in the context of a wider statement on regional policies.

I am sending a copy of this letter to the Prime Minister, George Younger, Jim Prior, Michael Heseltine and Normal Tebbit.

*Jim Prior*  
*Normal Tebbit*

The Rt Hon Patrick Jenkin MP  
Secretary of State for Industry  
Department of Industry  
Ashdown House  
123 Victoria Street  
LONDON



123 NOV 1987

