PRIME MINISTER

North East New Towns

(E(A)(85)5) FLAG A.

BACKGROUND

Statutory consultation took place in Summer 1984 on a proposed winding-up date of 31 December 1985 for the three North Eastern New Town Development Corporations (NTDCs). The Secretary of State for the Environment, acceding to overwhelming opposition in responses, proposes that the NTDCs should be kept in existence until March 1989 with the specific task of promoting, developing and disposing of their industrial and commercial assets as quickly and effectively as possible. (The transfer to local authorities of housing and community assets of the NTDCs is not at issue). He argues that they still have useful work to do in industrial promotion; and that winding them up would be unpopular and would be seen to remove effective bodies committed to the region. The Lord Chancellor wrote strongly supporting this line on 5 February. FLAG B.

2. The Secretary of State for Trade and Industry is opposed to extension on the grounds that the alternative proposed in consultation (transferring the industrial assets of the NTDCs to the English Industrial Estates Corporation (EIEC) and their promotional functions to the North of England Development Council (NEDC)) would be cheaper; and that the retention of NTDCs exercising industrial functions alone would distort regional policy within the North East and between the North East and other regions. The Chief Secretary, Treasury, is opposed, not only on cost and regional policy grounds, but also because the retention of NTDCs exercising functions confined to industry and commerce would conflict with the recent

decision not to establish Development Agencies in the English regions.

3. Of the 21 English new towns, 8 have already been wound up. Apart from the three North East NTDCs which are the subject of this discussion, a further five are scheduled for winding up this year, including one in the North West. No proposals have yet been made for the timing of winding up the remaining five English new towns; there is no question of winding up the five Scottish NTDCs until the 1990s. It is not unprecedented for an NTDC to survive for an extended period after the transfer of its housing and community assets to the local authority; this has been the position since 1978 with two of the three NTDCs now under discussion (Aycliffe and Peterlee) and was previously the case with Bracknell.

MAIN ISSUES

4. The main issues are whether the NTDCs should be wound up at the end of 1985 or whether their life should be extended; and, if the latter, for how long and on what terms.

5. The Department of the Environment estimate that if the NTDCs were wound up, the EIEC would spend about £6 million a year on management of the three industrial estates and on capital projects. Keeping the NTDCs in operation would involve additional costs (£1.5-2 million per year on revenue - mainly staff - plus £0.5 million a year on capital) but these would be met within existing provision for New Towns. The Sub-Committee's decision may thus depend more on the relative importance they attach to the hostile reaction in the North East to wind-up and to the awkward implications of retention for regional policy than on strictly financial considerations. The following points are relevant.

i. Mr Jenkin explicitly assumes that the extended NTDCs would continue both with a vigorous promotional effort and with the provision of new factory accommodation. Although the proposals would involve some decline in the NTDCs' activities, and

although Mr Jenkin argues that the continuing NTDCs would be more effective than EIEC in disposing of the industrial assets, there seems little prospect of the NTDCs' task being complete by 1989. There is no assurance that wind-up in 1989 will prove much easier than wind-up this year.

ii. Mr Jenkin has already rejected (paragraph 9 of E(A)(85)5) an extension to 1987 coupled with stringent expenditure reductions. It remains possible to construct a range of compromises by varying either the wind-up date, the scale of NTDC activities in the meantime, or both. Local trouble from wind-up this year would no doubt be acute, but might be got over in time. Run-down over a period might make the controversy less intense, but more prolonged.

HANDLING

6. You will want the Secretary of State for the Environment to present his paper and the Secretary of State for Trade and Industry and the Chief Secretary, Treasury to put their view. The Lord President of the Council and the Lord Chancellor, who have asked to attend, will have views on the political merits.

CONCLUSION

7. You will want to reach conclusions on the following:

i. whether the three North Eastern NTDCs should be wound up on 31 December 1985;

ii. if not,
   a. by how long should their life be extended;
   b. subject to what financial conditions;

iii. arrangements for announcing a decision.

PLG

P L GREGSON

11 February 1985

FROM:

THE RT. HON. LORD HAILSHAM OF ST. MARYLEBONE, C.H., F.R.S., D.C.L.

LORD CHANCELLOR

HOUSE OF LORDS,
SW1A 0PW

CONFIDENTIAL

Prime Minister

North East New Towns

The Economic Affairs Sub-Committee will shortly be discussing E(A)(85)5, which deals with the future of the three New Town Development Corporations in the North East, Aycliffe, Peterlee and Washington. In last summer's consultative document it was proposed that The Corporations should be wound up by December 1985, but Patrick Jenkin now recommends that their life should be extended until March 1989. He regards them the most effective means of job generation in the region, with a proven record of achievement, and considers that they still have valuable work to do.

Whilst acknowledging the need in future for the arrangements in these New Towns to conform to those now agreed for the English regions generally, I cannot but agree that it would be premature and ill-advised to make such a change at the present time. The North East, as Patrick points out, is one of the most economically depressed parts of the country, with a particular problem of declining industries; and, coming on top of recent disappointments like the reduction to one in the order for Type 22 frigates (albeit with the promise of a Type 23 ship later), and the impending redundancies at Austin and Pickersgill, the winding up of the Development Corporations as early as the end of the year would be a severe blow to morale in the area, quite apart from the loss in terms of practical facilities and expertise.

I therefore strongly support the proposal that the Corporations should be kept in being for a further three years, with the specific task of promoting, developing and disposing of their industrial and commercial assets as quickly and effectively as possible.

I am copying this minute to the members of E(A), the Lord President of the Council, the Paymaster General, and Sir Robert Armstrong.

H: of S: M.

5th February, 1985

CONFIDENTIAL

For CA folder
12/Feb.

1 February 1985

MR TURNBULL

NORTH EAST NEW TOWNS

A possible compromise between the Chief Secretary and the Secretary of State for the Environment would be:

1. To concede to the DoE an extension to the end of 1987.

2. To agree with the Chief Secretary that there should be no increase in square footage of factory space available, and there should be a substantial squeeze on the amount of money spent.

It would be possible to continue with the Development Corporations, with their main task being to dispose of what they have already accumulated and developed. This would meet Patrick's point that their teams would market the land and assets well, whilst agreeing with the Chief Secretary that the amount of money available should be reduced.

JOHN REDWOOD