

CONFIDENTIAL

D/f all departmental responses. AT 27/2

CC NO ✓



2 MARSHAM STREET
LONDON SW1P 3EB

01-212 3434

Prime Minister:

This was a subject which E(A) could not take.

My ref:

Your ref:

2

Dear Newman, The deal outlined below has been broadly accepted by DTI (see letter attached) 27 February 1985

NORTH EAST NEW TOWNS

You will remember that, because of the cancellation of E(A) on 12 February, we were unable to discuss this matter in any detail. However, following a brief discussion which I had with Peter Rees at the time, we have been able to develop proposals which are, I understand, acceptable to the Treasury, and to which I do not think that you will object, since they much resemble the possible compromise discussed between yourself, Ian Gow and Peter Rees on 18 December.

13/3

The proposal is that the three development corporations would be retained until 31 March 1988, on the basis of:

- a. a reduction of £2 million in their total forecast expenditure for each of the financial years 1986/87 and 1987/88; this would tie in with the extension of the External Finance Limit form of control to all public corporations;
- b. a ban on new factory building by the corporations in the period of their extended life;
- c. an agreement to consider, on its merits, any special case for extra development by the corporations; I would, of course, accept that anything that might be agreed under this head would have to be found from within the new town programme, whatever that happens to be.

The effect of this would be to establish a total expenditure budget, for capital and revenue accounts combined, for all three towns of £11 million in 1986/87 and £8.5 million in 1987/88. Again, this would be for me to accommodate within the existing new towns programme in PESC. The precise make-up of this expenditure and its division between the three towns would be determined in the normal way.

For the reasons which I have set out in my E(A) paper, I think that the development corporations have a helpful contribution to make to the north-east as a whole. This proposal seems to achieve this aspect, while making a worthwhile contribution towards reducing public expenditure generally. Unless you, or any other of our colleagues, see major objections - in which case we shall need an early discussion in E(A) - I would propose to announce them in the form of the attached draft PQ answer.

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I need to make an early announcement in order to resolve the uncertainty which has been hanging over these organisations for too long.

I am sending copies of this letter to the Prime Minister, members of E(A), to the Lord Chancellor and the Lord President, and to Sir Robert Armstrong.

Yours ever
Patrick

PATRICK JENKIN

DRAFT PQ ANSWER

NORTH EAST NEW TOWNS

To ask the Secretary of State, if he has now reached a conclusion on the future of the three north-east new towns.

In May 1984 we sought the views of the local authorities concerned in the development of the three new towns of Aycliffe, Peterlee, and Washington. We also asked other interested bodies and individuals to let us have their views. We asked for comment particularly on whether the purposes for which the new towns had been designated had been substantially achieved, and on the target date of 31 December 1985, which had been set for winding up the three development corporations. The response to these consultations showed clearly the high opinion held locally of the value of the work done by the corporations.

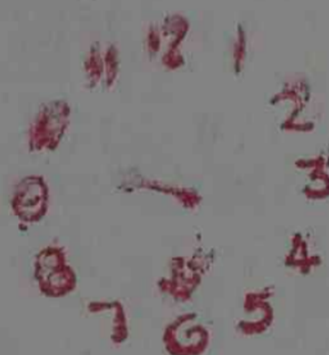
2. In the light of the development potential which remains in the three new towns, of the need of the region for economic growth, and of the response to the consultation the Government has concluded that it would be desirable to retain the corporations for a further specific period. In the light of the consultations, we now propose to set the date of 31 March 1988 for the winding up of the corporations.

3. Between now and then, we shall expect the corporations to pursue their work in developing industry and commerce in their towns, and with that the generation of new jobs, relying to the maximum on private investment. We shall also expect them to prepare for the transfer of their assets and liabilities remaining at 31 March 1988 to successors which can command local confidence and acceptance.

4. Since 1963 Aycliffe and Peterlee development corporations have had the same membership. In order to simplify the management and administration of their work, we shall consult them about using the powers under section 6 of the New Towns Act 1981 to bring them into a single corporation.

~~Human PA~~
May 1901
Review

27 FEB 1985



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10 DOWNING STREET

From the Private Secretary

15 March, 1985

Dear John,

North East New Towns

The Prime Minister has seen your Secretary of State's letter to the Secretary of State for Trade and Industry. She is content with the understanding he has reached with the Secretary of State for Trade and Industry and the Chief Secretary on the future of the three North East new towns.

I am copying this letter to Private Secretaries to members of E(A), Richard Stoate (Lord Chancellor's Office) and Richard Hatfield (Cabinet Office).

Yours sincerely
Andrew Turnbull

ANDREW TURNBULL

John Ballard, Esq.,
Department of the Environment

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AT 11/3 CCDD

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Patrick Jenkin MP
Secretary of State
Department of the Environment
2 Marsham Street
London
SW1P 3EB

8 March 1985

NORTH EAST NEW TOWNS

Thank you for giving me the opportunity to comment on the arrangement outlined in your letter of 27 February to Norman Lamont.

I am pleased we have been able to agree that the three North East new towns should be wound up in March 1988 and that there should be no further new factory building by those corporations in the period of their extended life. This restriction should help us to overcome criticism from other economically deprived regions that these three new towns are being given preferential treatment.

I accept that circumstances may arise which require additional expenditure beyond the agreed gross provision of £11 million in 1986-87 and £8.5 million in 1987-88. I would however need to be satisfied that the extra development was unforeseen at the time when the towns capital programmes were committed and that the additional expenditure sought would result in clear financial benefits that could be realised in the short term (for example, expenditure which would enhance a disposal value by more than the money spent.)

I am generally content with the draft of your announcement. However, I think it is necessary, if we are to avoid undue criticism, to make it clear publicly that there will be a ban on new factory building during the extended life of these towns. I also think that if we are to ease the path for the transfer of the industrial assets to the EIEC in 1988 as proposed in your consultation document, it is unwise to imply that the assets will be transferred only to a successor which commands local confidence. The towns could use this agreement to frustrate our proposals.

Legislative Policy
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I am copying this letter to the Prime Minister, members of E(A), the Lord Chancellor, the Lord President, Norman Lamont and to Sir Robert Armstrong.

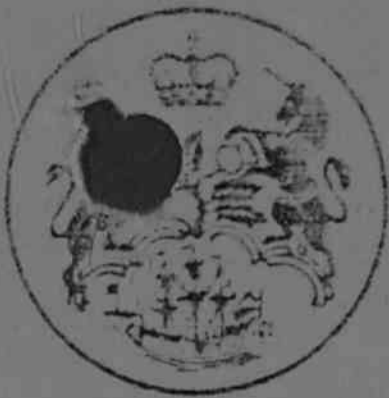
John van der ...

11 MAR 1985

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5 6 7 8 9

PETER REES

CONFIDENTIAL



From the Minister of State for Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215)

GTN 215)5186
(Switchboard) 215 7877

C/NO

Norman Lamont MP

CONFIDENTIAL

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1

13 March 1985

Dear Patrick

NORTH-EAST NEW TOWNS

Thank you for your letter of 27 ^{3 February} November setting out further proposals for the future of the north east new towns' development corporations.

I agree to what you propose subject to a few points. First, we should make it clear that we stand by the original proposal to transfer the relevant assets to the EIEC on wind-up. As far as I can see, there is no other body to which they could be transferred other than the New Towns Commission, which we have already agreed would be inappropriate. Moreover, the reference to "successors which can command local confidence and acceptance" may imply that we accept the criticisms made of the EIEC by the partisan respondents to your consultation document. That reference should be replaced by the naming of the EIEC as the intended successors.

Second, we should omit your draft answer's reference to "remaining development potential" and "the need for economic growth". Both those factors will be largely unchanged in 1988, and it might not be wise to allow scope for the arguments to be re-opened then. I therefore suggest that paragraph 2 of your draft statement should be deleted, and that paragraph 1 should end with the further sentence, "The Government has accordingly concluded that it would be appropriate to defer the winding-up date to 31 March 1988".

TUBAQA



Third, your condition "c" does not square very well with "b", and I think it should be deleted. We have concluded, I think, that the New Town development corporations' job is effectively done; that being so, if any new industrial or commercial development is needed in the new towns, it should fall to be considered in the context of the EIEC's programme for the entire region. I have to say that given the enormous vacant stock, I can see little possibility of these towns being able to claim any priority.

I am copying this letter to the Prime Minister, members of E(A), the Lord Chancellor, the Lord President and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read 'Norman Lamont', written in a cursive style.

NORMAN LAMONT

REGIONAL POLICY: Review:

A7.

13 MAR 1986



Press Notice

129

21 March 1985

EXTENSION FOR NORTH EAST NEW TOWNS DEVELOPMENT CORPORATIONS

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21/2

Patrick Jenkin, Secretary of State for the Environment, told the House of Commons today that he is to extend until 31 March 1988 the life of the development corporations for the three North East New Towns, Aycliffe, Peterlee and Washington. The original target date had been 31 December 1985.

In a written answer to a Parliamentary Question from Jack Dormand MP (Easington)

Mr Jenkin said:-

"In May 1984 we sought the views of the local authorities concerned in the development of the three new towns of Aycliffe, Peterlee, and Washington on the future of these towns. We also asked other interested bodies and individuals to let us have their views. We asked for comment particularly on whether the purposes for which the development corporations were established had been substantially achieved, and on the target date of 31 December 1985 which had been set for winding up the three development corporations. The response to these consultations showed clearly the high opinion held locally of the value of the work done by these corporations, and that there was scope for this to continue. The Government has accordingly concluded that it would be appropriate to defer the winding-up date to 31 March 1988.

"Between now and then, we shall expect the corporations to pursue their work in developing industry and commerce in their towns, and with that, the generation of jobs, relying to the maximum on private investment. We shall also expect them, in consultation with the Commission for the New Towns, the English Industrial Estates Corporation (for the industrial estates), and local organisations, to prepare satisfactory arrangements for the period after 31 March 1988.

"Since 1963 Aycliffe and Peterlee Development Corporations have had the same membership. In order to simplify the management and administration of their work, we shall consult them about using the powers under section 6 of the New Towns Act 1981 to bring them into a single corporation."

NOTE TO EDITORS

In May 1984 the Department issued a consultation paper proposing that the planned wind-up date of December 1985 for all three towns should be adhered to, and that the remaining individual and commercial assets of the development corporation be transferred to the English Industrial Estates Corporation. Their promotional role would be taken on by the North of England Development Council.

Responses to the consultations showed overwhelming support in favour of retaining the three development corporations at a time when the North East faced high unemployment figures and there was much concern about closures.

Today's announcement also proposes that Aycliffe and Peterlee should merge. The corporations already have the same board membership and joint staffing arrangements and merger will simplify the administrative and financial running of the organisations.

Press Enquiries: 01-212 4682-6
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Public Enquiries: 01-212 3434
(ask for Public Enquiries Unit)