

Primi Minist

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This all seems sensible enough, as do the minor comments from Mr Heseltine (Flag A) and Mr St John Stevens. (Flag B).

Treasury Chambers, Parliament Street, SW1P 3AG
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PRIME MINISTER

I am delighted with the proposals. But has the Chancellor had a word with Lord Ingham who knows nothing of what is intended? I have other lines.

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When E Committee considered Enterprise Zones on 19 December, I was asked to arrange for further work to be undertaken on some of the proposed measures, and on the list of sites, and to report back to the Committee in due course with a revised version of the draft policy document and my proposals for announcing the Government's policy decisions.

2. I was asked to agree the details of measures and sites with the Ministers most directly concerned. This has now been done and our recommendations are set out below.
3. The points on which further work was called for were:
 - a. The level of capital allowances and the length of time for which the capital allowances and Development Land Tax exemption would apply;
 - b. The level of the rating concession, together with proposals for compensating the local authorities concerned;
 - c. The details of the planning measures to be applied in Enterprise Zones;
 - d. A revised list of possible sites on which consultations should take place;



e. The references in the draft policy document to sympathetic administration of certain statutory controls.

Capital Allowances

4. I am prepared to agree to 100 per cent capital allowances on both industrial and commercial buildings. On time limits, see paragraph 6 below.

Rating Concession

5. E Committee considered that complete de-rating might be inappropriate. Michael Heseltine and I have considered this proposition in conjunction with our regional colleagues. We feel that we should return to the original proposal of a 100 per cent remission of rates not only to obtain maximum presentational impact; but to reduce the local administrative costs involved in collecting rates. E Committee also thought that the local authorities concerned should be compensated for their loss of rate income by a 100 per cent specific grant made from within the aggregate of the Rate Support Grant and associated grants. Again, my colleagues and I feel that this proposal may prove unworkable: the local authorities associations are likely to argue as a point of principle that the grant should be additional to current grants. The sum of money needed is unlikely to be great, perhaps of the order of £10 million - £15 million per year. It would not count as public expenditure, though it would increase the PSBR. Since the cooperation of the local authorities in the establishment of Enterprise Zones is crucial, I am willing to agree that compensation should be paid from an additional Exchequer grant. I very much hope that you will feel able to agree to these proposals on the rating concession.



Time Limits

6. Since my memorandum E(79)85 was discussed in E Committee on 19 December, it has become apparent that it will be necessary to set a time limit on the existence of Enterprise Zones, which will be based on Designation Orders, if Michael Heseltine is to be protected from unlimited claims for compensation. It would of course be possible to extend the life of individual zones. In order to give developers some sense of future security, I do not think we can realistically set a period of less than 10 years for the life of the Designation Orders. It could be complex to have concessions in Enterprise Zones with a shorter life span than the actual zone itself. In the interests of simplification, therefore, I am prepared to agree that the capital allowances and DLT concession should extend for the same period of 10 years. Michael Heseltine, George Younger and Humphrey Atkins and I also agree that notwithstanding the feeling in E Committee that the rating concession should be for a period of seven years, it would be appropriate to extend this also to 10 years. It follows that all other measures, whether requiring primary legislation or not, would be for a 10 year period. Again, legislation would provide for the possibility of further extension if this were judged desirable. In principle, however, I think it most unlikely that I would wish to extend the fiscal concessions after the end of the 10 year period.

Planning Controls

7. Michael Heseltine and I have agreed that in the case of each Enterprise Zone, a rudimentary plan should be drawn up with provision for zones for industrial, commercial, and residential areas etc. All development that conformed to the plan could go ahead without the normal planning applications procedure.



Sites

8. E Committee felt that too many of the sites in the first list in my memorandum E(79)85 had very poor prospects. They suggested that Bilston and Preston Docks might be moved into the first list, which should also include a Northern Ireland site and a site in the South West.

9. I have considered the matter of sites carefully with colleagues most directly concerned. On the basis of these consultations, I now propose the following:

First List

Trafford Park and Manchester
and Sulford Docks
Attercliffe, Sheffield
Speke, Liverpool/
Merseyside UDC site
Clydebank (Singers)
Lower Swansea Valley
Belfast inner city site
London UDC site/South Shoreditch/
North Wandsworth
Tyne and Wear site
Bilston, Wolverhampton

Reserve List

Doncaster Carr
Preston Docks
Briton Ferry, West
Glamorgan
Clydebank (Braehead)
Corby

10. We have not been able to identify a suitable site in the South West. The most promising would be Avonmouth. But it seems in principle wrong to give added privileges to a site which already enjoys a number of advantages, particularly at a time when other areas are about to be severely affected by steel closures. We have also had difficulties in identifying a site on Tyneside: on the one hand, the urban sites we have considered could prove too expensive for private developers (because of the need for extensive site preparation); on the other, we are agreed that greenfield sites such as Boldon should not be considered for Enterprise Zones. We hope that further



consultations will enable us to identify a suitable site in Tyne and Wear.

11. I propose that where possible, the sites listed in the first list should be named in the annex to the policy document which will be published at the same time as the Government statement of its intentions on Enterprise Zones. This should help to minimise speculation, or the danger of blight. But it will be made clear that final decisions on sites will be taken only after consultations with the local authorities concerned. In considering the first list, I would draw colleagues' attention to the need to choose sites which will have attractions for the private developer. In many cases some site preparation may be necessary. In my view, this should be undertaken as far as possible at the expense of the developer. Where land is owned by public bodies, the new Compulsory Sale Order powers which Michael Heseltine is proposing to take in the Local Government Bill would enable the Government to ensure that land in Enterprise Zones is put on the market at a price which reflects the fact that developers will themselves have to tackle much, if not all, of the necessary work on infrastructure. Details of land ownership are set out in Annex A to E(79)85.

Administration of Statutory Controls

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12. E Committee considered that the reference in the draft policy document annexed to E(79)85 to "sympathetic administration" of statutory regulations in Enterprise Zones was unfortunate since it seemed to imply that the regulations were administered unsympathetically elsewhere. The revised policy document attached to this minute has been amended to avoid creating such an impression.



Legislation

13. MISC 28 invited me to consider the possibility of including all the provisions for Enterprise Zones in the Finance Bill. I was prepared to look very positively at this suggestion, but the advice of Parliamentary Counsel was firmly against it. Michael Heseltine has now kindly agreed to include all the non-fiscal provisions, with the exception of those on the training levy, in the Local Government Planning and Land Bill. Norman St John Stevas considers that this is possible, but has suggested that to avoid criticism from the Opposition, we should make the initial announcement in the context of the Budget. This would allow for a general debate on the subject. I would be very happy to do this. Thereafter the non-fiscal provisions, including those for the designation of Enterprise Zones, would be introduced into the Local Government Bill, most probably just before the end of the Committee stage. The fiscal provisions would be introduced into the 1980 Finance Bill at an appropriate stage. The provisions necessary to exempt establishments in Enterprise Zones from the scope of Industrial Training Boards, and thus from the training levy, will not fit either in the Local Government Bill or the Finance Bill. I hope therefore that Jim Prior could agree to include these provisions in some suitable bill next session since there appears to be no appropriate legislative vehicle at present in prospect.

14. While I understand that the legislative suggestions outlined above are not likely to present any insuperable problems to Parliamentary Counsel, it is obviously desirable that officials should get down to drafting detailed clauses as soon as possible before the Budget. I would therefore be most grateful if colleagues could let me have

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any comments on the proposals set out above, or on the draft policy document, by 11 March.

15. I am copying this minute to all members of E Committee, to George Younger, Nicholas Edwards, Humphrey Atkins, to Norman St John Stevas, Sir Kenneth Berrill and Sir Robert Armstrong.

A handwritten signature in black ink, appearing to be 'G.H.' with a flourish.

(G.H.)

29 February 1980