



Manpower

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

6 May 1981

The Rt. Hon. James Prior MP
Secretary of State for Employment

MBM

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Jim

EMPLOYMENT AND TRAINING BILL - ENTERPRISE ZONES

Thank you for your letter of 5 May proposing that we restore Clause 4 of this Bill in an amended form which would distinguish between establishments with and without the bulk of their employees inside an enterprise zone, for the purposes of giving relief from the ITB levy.

I understand why you favour this course. In particular I can see that there is a difference between exemption from the ITB levy, which can be regarded as a tax on employment, and the other fiscal incentives which are related to buildings or the land they occupy. I also recognise that, in principle at least, an employment related incentive could prove particularly attractive to firms in certain industries and thus in theory at least be open to abuse.

Nevertheless, I am not attracted to the amended form of the clause you propose. We cannot know in advance whether firms will seek to abuse the ITB levy exemption and I am against taking powers requiring further administrative interference to deal with what may turn out to be a trivial problem. Small firms find the levy and its associated paperwork a burden and I am keen to avoid any extra bureaucracy if we can. The scheme you propose would tend to increase rather than diminish the paperwork associated with the ITB levy for many establishments in enterprise zones.

Consequently I remain opposed to the proposal described in your letter. However, since, at the same time, I do recognise that there is, in principle, potential scope for abuse, I can see a case for taking order-making powers to restrict the scope of the clause later - if widespread abuse became

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evident. I believe that if our reasons for taking such powers were explained fully to the House - namely our desire for contingency powers to block an abuse whose likelihood cannot be gauged in advance - we would be able to get the measure through. Moreover we could find that taking the minatory powers was sufficient to discourage those who might otherwise have exploited the position.

I hope therefore that you can agree to a clause in this form rather than that proposed in your letter. If, however, you feel unable to agree, perhaps we could have a word, together with Michael Heseltine, in the margins of Cabinet tomorrow, in view of the urgency involved.

I am sending copies of this letter to the recipients of previous correspondence.

A handwritten signature in black ink, appearing to be "Geoffrey Howe", with a horizontal line underneath.

GEOFFREY HOWE