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PRIME MINISTER

PARLIAMENTARY STATEMENT ON ADDIS, CAKEBREAD AND LEASING

*It is alright with me about it
I'll make the deal lower. One
kill a good statement
amendments*

You have already seen earlier notes by Mr. Ridley (Flag A) and the Chancellor (Flag B) on the Addis and Cakebread cases. You have also seen and agreed to Mr. Ridley's proposals to block the leasing loopholes being exploited by local authorities.

Mr. Ridley now proposes to make a combined Parliamentary statement on all these issues tomorrow in the terms attached to his letter of today's date below.

You will wish to check that you are content with this. The material on leasing (para 10 of the statement onwards) follows the lines you have already agreed. On Addis and Cakebread, you queried whether the necessary provisions could be dealt with in a Finance Bill; that would not be possible to cover these matters of local government finance and would in any event not permit the required rapid action. So the proposed use of the Local Government Finance Bill seems the best vehicle.

The only point of substance outstanding between the DoE and the Treasury is whether or not the Exchequer should make good losses for past years to authorities in the neighbourhood of enterprise zones (x at Flag B). You queried on this what the implications would be for RSG. The position is explained in paragraph 9 of Mr. Ridley's draft statement. The last two sentences of that paragraph include Mr. Ridley's latest compromise proposal whereby he would be prepared to listen to representations about compensation beyond that already provided by the Local Government Planning and Land Act 1980, but without commitment. This goes halfway to meet the Treasury, but I gather they are likely to argue that Mr. Ridley should take a firmer line and state clearly that compensation will not be offered beyond the terms of the 1980 Act.

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Content with the broad terms of Mr. Ridley's draft statement,
amended to reflect the tougher Treasury line on paragraph 9?

Yes
ms

face.

(PAUL GRAY)

8 March 1988

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