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PREM 19/340

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Review of Regional Policy  
including Assisted Area  
Boundaries and the creation of  
Enterprise Zones

REGIONAL

POLICY

Part 1 May 1979

Part 2: November 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>20.11.79</del>		<del>13.3.80</del>					
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PREM 19/3/80

ENDS

PART 2 ends:-

s/s Ind to s/s DOE 26/6

PART 3 begins:-

s/s Ind to s/s DOE 4/7/80





Secretary of State for Industry

DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-2123301  
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cc Mr Dignid  
Reg Policy  
26 June 1980

The Rt Hon Michael Heseltine MP  
Secretary of State for the Environment  
Department of the Environment  
2 Marsham Street  
London SW1P 3EB

*Jan Michael*

*R  
22/1*

I was concerned to discover that your officials are proposing to recommend that a site in North and South Tyneside should be selected as the Enterprise Zone for that region. This would have such serious repercussions on other areas of policy - and expenditure - that I feel I must write to you about it forthwith.

As you know, the English Industrial Estates Corporation's Team Valley Estate is in that general area but outside the proposed EZ. Team Valley contains about 120 acres of serviced but undeveloped land and the private sector institutions to whom we have shown it have expressed enthusiasm for financing its further development at their expense. Indeed, the very first agreement for the private sector funding of Government advance factories (which we initiated last year and announced in February) included an agreement for substantial investment there, on advantageous terms. Arrangements have since been agreed with CIN Properties Ltd for further development.

However, the concessions granted to entrepreneurs in an EZ are intended to be such that they will want to locate there in preference to other areas, so that ready tenants for new speculative industrial development will be found, making the areas attractive to investment by institutions. A vast acreage of heavily subsidised development in a North/South Tyneside EZ will thus threaten to suck into it all the available new industry which this largely unattractive area is capable of attracting in the immediate future, to the obvious detriment of Team Valley, since if successful it will clearly affect land values and rents everywhere else in the immediate area.

We have worked hard and successfully to attract institutional finance for the EIEC's advance factories, but we risk putting all our achievements to nought if we now take action which will have the effect of invalidating the criteria on which the Government, through the EIEC, negotiated and agreed with L & G the rental return and land values for the Team Valley development.

/I am ...



I am advised that the institutions would see such a decision as an act of bad faith, and that we might well forfeit their co-operation in Government-sponsored advance factory building for a significant period. Work on the Team Valley L & G developments has already begun, so I think you will see that I would find it embarrassing to be a party to a decision which would undermine an agreement I have already reached with private sector institutions, and which I and colleagues have publicly praised.

There is a further complication also. As you know, I announced last Thursday a new programme of expenditure on advance factories for the Consett steel closure area, which will cost up to £13m over 5 years, and which you are supporting with additional provision for derelict land clearance grant. We have found it extremely difficult to let factories in Consett, with some having stood vacant for 3 to 4 years. The attractions of our Team Valley estate for the private sector will not make our task at Consett any easier, of course, but Team Valley does have the merit that it will also provide employment for people within the Consett catchment area; and Consett will at least have the benefit of rent-free periods, whilst the private sector development at Team Valley will not. I fear, however, that the additional counter-attraction of a subsidised EZ could destroy all prospects of revitalising Consett, and for this reason alone I would not be able to agree to the selection of North/South Tyneside.

Quite apart from these considerations, I believe in any case that our interests in promoting EZs would be better served by the selection of the alternative Tyne River/Team Valley site. It would make the already attractive and immediately available serviced land at Team Valley even more attractive to institutions (who have not apparently proved enthusiastic about EZs so far), and would provide them with a painless, indeed profitable, introduction to the EZ principle. It could thus ensure that this particular EZ got under way in the most immediately obvious fashion, and perhaps more quickly than any other. In the meantime, the infrastructure work needed to develop the areas of dereliction in the rest of the EZ would be able to proceed.

I understand that your officials have recently expressed concern about the possible costs of the additional infrastructure work involved in the Tyne River areas; but apart from the fact that these could well be matched by the other losses I have described, our original advice from your Department was that the additional £25m required over 10 years could in fact be found from within existing programmes within 3-4 years, without any additional call on public resources. Even were this not so, I would still consider the site to be the only possible prospect for Tyneside; but if it is even only partly true, then it seems to clinch the argument conclusively; for it means that the site could combine the merits of a fast and successful start coupled with the prospect of the spectacular rehabilitation on one of the worst areas of

/dereliction ...



dereliction in the country, at little or no additional net cost to public funds.

I hope we can agree, therefore, that the only prospect we need to consider for the North-East is the Tyne River/Team Valley site.

I am copying this letter to members of E Committee; George Younger, Nicholas Edwards, Humphrey Atkins, Robin Ibbs and Sir Robert Armstrong.

*Yours*

*Kew*

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27 JUN 1961





*Reg Policy*

2 MARSHAM STREET  
LONDON SW1P 3EB

My ref: H/PSO/13849/80

Your ref:

16 June 1980

*De Cussey*

*RMG*

#### ENTERPRISE ZONES

Thank you for your letter of 7 May. Local support will indeed be a critical factor when we come to make our choice of sites. Local elections have delayed some bids until the second week in June. We shall then need to consider the live bids side by side. I still hope to put a paper to colleagues around the end of the month.

I welcome your suggestion of two Zones in London. There is a related issue which we might also consider, since it would clearly be hard to keep two London sites within a regionally balanced selection of only 3 or 4 sites in England. Nigel Mobbs, the British Property Federation, and others have suggested that 500 acres is too large an area for a 10 year time-scale, especially since they think some of the locations we are considering would in their view be unattractive to investors even given the EZ concessions (eg Merseyside, and perhaps Tyneside). This latter point may well be right, (and is a consequence of the original rationale of the enterprise zones). On the other hand we do not want too many of the enterprise zones to be in areas where the chances of success are low. A possible solution would be to have more, but on average somewhat smaller, zones than we originally envisaged. We could then more easily fit in your suggestion of 2 EZs in London without upsetting the balance between the regions. I propose to cover this possibility when I put my proposals to colleagues.

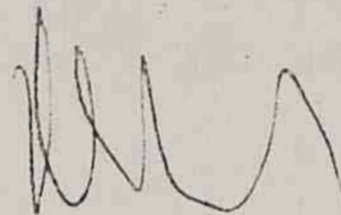
I agree about the need to monitor the effectiveness of enterprise zones, but I hope we can keep it to the minimum that is necessary. I should like officials to consider what is needed and report to us.

My officials will arrange a discussion. When the zones are set up, I intend to circulate regular reports on progress, especially with the establishment of new business, and problems. These reports will be short and factual and designed primarily to aid effective management and ministerial oversight.

As I have implied, effective management and promotion will be essential to the success of enterprise zones, particularly in difficult areas. Private sector expertise and drive will have a vital contribution to make, and I shall be making arrangements in each case to ensure that private expertise is involved.

I am copying this letter to members of E Committee, to George Younger, Nicholas Edwards, Humphrey Atkins, Robin Ibbs and Sir Robert Armstrong.

Yes



MICHAEL HESELTINE



H 6 JUN 1980



Reg. P. D. Wain  
SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
LONDON  
SW1P 3HE

R  
20/5

19 May 1980

Dear Geoffrey,

VISIT TO SCOTLAND: 7-8 MAY

Many thanks for your interesting account of your visit. I am glad you enjoyed it, and that the arrangements went well.

It is encouraging to know that your impressions are so similar to my own, and I too am always surprised that in the midst of so much bad news there is a strong undercurrent of optimism. We must do our best to foster it.

I will, of course, look carefully at the proposed area of the enterprise zone bearing in mind the representations made to you. I think it very likely that Clydebank will be the preferred choice.

Finally, I was particularly interested at the strong representations you received about the need to help manufacturing industry. I have had the same from many sources that I respect, and who strongly support our general policy (as most people do).

I know the difficulties of course, but my own feeling is that if some help can be given the best vehicle both technically and presentationally would be a reduction in the National Insurance Surcharges, which are often accurately described as a tax on jobs.

I am most grateful to you and Elspeth for taking so much trouble to come and visit us. It was a great success and such a visit does a great deal to help the whole Government effort in Scotland. We look forward very much to your next one!

Yours sincerely,  
C. D. Wain



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Regional Policy



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Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

14 May, 1980

From Andrew  
quite encouraging

The Rt. Hon. George Younger, MP.,  
Secretary of State for Scotland

R

Dear George

MS

14/5

VISIT TO SCOTLAND: 7-8 MAY

As you know, Elspeth and I visited Scotland last week. We visited Clydebank, where we had a short discussion with the SDA task force and others, and visited the Marathon Yard; Glasgow, where I went to the NSB at Cowglen, and addressed the Chamber of Commerce; Perth, for the Party Conference; and Aberdeen, where we were the guests of BP, and visited the Forties Field.

I am greatly indebted to you and your Department for the thought you put into planning the visit, and the excellent briefing and logistic help you provided. Dr. McCrone of the SEPD accompanied us throughout the first day. His informed commentary was invaluable, and throughout Clydebank tribute was paid to the major contribution he and his task force were making to the renewal of the area. Walter Dickson of the SEPD dealt efficiently with the press; and the various police forces coped magnificently with our impossibly tight schedule; not least, our Government driver was magnificent, in getting us from Glasgow to Perth in under the hour.

It is obviously dangerous and superficial to pronounce judgement after a fleeting visit of two days. But my abiding impression of the prospects for Scotland is very definitely one of optimism rather than of gloom. This is not to say that the problems of manufacturing industry in West Central Scotland are not acute or that we should be in the least bit complacent about the prevailing levels of unemployment. But even on Clydebank there was a definite sense of hope, and a feeling that the product was essentially saleable - an attractive environment, a skilled workforce much less riven by industrial troubles than was commonly supposed, and efficient and constructive local agencies and authorities. Both at Marathon, and much more in Aberdeen,

/there is



there is no lack of vigour and enthusiasm. It is particularly cheering that so much of the new industry being attracted to Scotland is at the high technology end.

Some specific points.

There was a quite surprising degree of enthusiasm for setting up an Enterprise Zone in Clydebank. Wherever I went, I was pressed to declare the area an EZ there and then. The main anxiety was that the Zone should not be confined to the Singer factory site, but should encompass a larger area of Clydebank. We were pressed by the management at Marathon to include the shipyard site, so that it could provide a home for small enterprises specialising in skills complementary to Marathon's own operations. I was of course non committal, and told them that the responsibility for designation lay with you. I was impressed by a short and gracious speech by the incoming Provost of Clydebank. This was his first engagement after his election, and he said that regardless of party political considerations his authority would co-operate in every way with Government measures to revitalise the area, and would eliminate time consuming delays. Robin Duthie spoke with passion and to good effect. He echoed the theme which Alex Fletcher had raised with me about the drawbacks of our corporate tax regime compared with that in force in the Irish Republic. Dr. McCrone made the point that where the enterprise concerned is highly capital intensive and also very profitable, the Irish are hard to beat. But in reality our tax system was more favourable to the average investment, if only it could be made more marketable. I have a great deal of sympathy with this view, and shall be looking in the months ahead at what scope there is for simplifying corporate taxation. The trouble is, of course, that the incidence of tax changes on different companies and sectors varies greatly, and reform is by no means as easy as it sometimes looks.

I was pressed both by the SDA, and at the Glasgow Chamber to consider what might be done for manufacturing industry. There is a strong feeling that, without endorsing the general principle of subsidies to industry, manufacturing industry just cannot adapt quickly enough to the high exchange rates now prevailing. I was not pressed to tinker with the exchange rate; but strongly urged to provide some temporary easement of the financial difficulties manufacturing enterprise was currently facing. These representations are by no means confined to Scotland - there are indeed an important theme in recent discussions in NEDC. Whilst I obviously cannot make any promises, I am very cognizant

/of the



of the strength of feeling on this.

Finally, Mr. Duthie made a strong defence of the SDAs separate representation in New York, comparing it favourably with all comers, including the FCO and the SEPD themselves. I adopted a position of benevolent neutrality.

All in all, therefore, a most enjoyable and educatative visit which has throughly whetted my appetite.

GEOFFREY HOWE

A handwritten signature in cursive script, appearing to read "Geoffrey Howe", with a horizontal line underneath.

cc: Cabinet colleagues  
Minister of Transport  
Sir Robert Armstrong



14 MAY 1960

10 11 12 1 2 3  
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cc A Duguid

Reg 12 -

TL(OE)

G. M. Layton



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

7 May, 1980

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8/5-

The Rt. Hon. Michael Heseltine, MP.,  
Secretary of State for the Environment

*[Handwritten signature]*

ENTERPRISE ZONES

Thank you for your letter of 24th April setting out the timetable for action on Enterprise Zones. Obviously, I am anxious to see progress made as quickly as possible, but I accept that the Parliamentary timetable for approval of your Local Government, Planning and Land Bill sets limits on the speed which we can hope to achieve.

You too will have received a number of letters from local authorities and others expressing support for the establishment of Enterprise Zones. The question of local support will be vital when we come to decide on the actual sites. I am sure this is a point you will wish to bring out in your report to colleagues in June.

Variations in the degree of local support may lead us to take a somewhat different view of the possible distribution of Enterprise Zones than we have done hitherto. For example, support has been forthcoming for both an East London site and a site in North Wandsworth. I would hope that we would not feel it necessary to rule out the possibility of two sites in London. I recognise that we should aim to preserve a fair balance between the assisted and non-assisted parts of England, and between England and the other parts of the United Kingdom. But I do not think that two sites in London would be incompatible with this.

Because of their experimental nature, it will be particularly important to examine the cost effectiveness of the Enterprise Zone measures, as opposed to other means of stimulating economic development. With this in mind, I suggest that we set up some machinery to monitor development in Enterprise Zones. It would be useful if regular reports, say every six months, could be made to E Committee on progress in the Zones.

/It seems



It seems to me that monitoring will necessarily have both a national and local aspect. In the case of the first, I think it is important that the various Departments involved in assessing aspects of the Government's economic policy should be brought in. Perhaps this could best be done by your officials convening a meeting of mine (both Treasury and Inland Revenue) and those of Keith Joseph, Jim Prior, George Younger, Nicholas Edwards, and Humphrey Atkins. We could look to whatever machinery is set up at national level for advice on the best way to carry out monitoring on the ground in Enterprise Zones. I think the sooner any machinery can be set up the better, so that we can gain some initial information about the existing stock of premises and level of economic activity in the various sites before they are formally designated as Enterprise Zones.

I am copying this letter to members of E Committee, to George Younger, Nicholas Edwards, Humphrey Atkins, Robin Ibbs and Sir Robert Armstrong.

GEOFFREY HOWE

A handwritten signature in black ink, appearing to be "G. Howe", written over a horizontal line.

- 7 MAY 1980



MR. INGHAM

ENTERPRISE ZONES

Thank you for your minute of 1 May.

I do not honestly think there is much point in passing on to the Chancellor and Mr. Heseltine the comments of the provincial editors. The point that there must not be too much delay is already well taken, and I do not think there is really a case for putting the Prime Minister into bat to hurry them up any more. The attached letter from Mr. Heseltine sets out the latest state of play.

T. P. LANKESTER

2 May 1980

DSC

Revised  
part.

MR. LANKESTER

cf. papers ms  
R 45  
Enterprise Zones

1. At the briefing for provincial editors on Tuesday, the Prime Minister asked me to note for action criticism of the likely development of enterprise zones. Could you please pick this up on your net? I would like to know the outcome so that, if possible, I might let the Editors know that their representations were taken seriously.

2. The essential points from the discussion with the editors are:

- i. the concept of enterprise zones had made an impact, especially in development areas;
- ii. it was felt that, properly handled, they would become a magnet for industry;
- iii. while it was recognised that some consultations might be necessary, there was concern at the length of time which would elapse between announcement of the concept and its actual implementation; and
- iv. in the meantime, there was likely to be strong competition among local authorities for a zone.

The Prime Minister explained that the Government had put forward a pilot scheme. While recognising that this could create competition among local authorities, there was no real alternative but to build up the zones at a steady pace, given the need for consultation. However, she did indicate her concern that there should be no undue delay and agreed, by implication, to raise this with the appropriate department.



B. INGHAM

1 May, 1980



Key PD.

2 MARSHAM STREET  
LONDON SW1P 3EB

My ref: H/PSO/12635/80

Your ref:

24 April 1980

~~Baroness Williams~~ MBM

~~Baroness Williams~~ MBM  
12 1574

*[Handwritten signature]*

#### ENTERPRISE ZONES

Colleagues may find it helpful to know how I see action on enterprise zones being taken forward.

Local authorities concerned have already been asked to give us their views by the end of May. If they can keep to this timetable - and there are of course some local elections in May - I plan to circulate a report on the selection of sites, and on any implications for public expenditure during June, with the aim of enabling us to make announcements on the choice of zones before the Summer Recess.

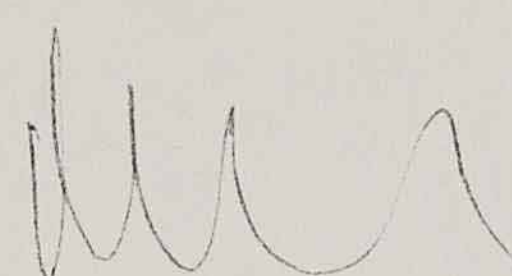
The local authorities for the selected zones will then be asked to agree with us their planning policy and proposals for the area as well as the administrative arrangements for giving quick decisions on proposed developments. We should aim to have this stage completed no later than November.

The statutory designation procedure could then be set in motion soon after the Local Government Bill gets Royal Assent, leading to the designation of the first enterprise zones at the turn of the year. As colleagues will realise with the present legislation timetable we can't act any quicker.

We can certainly look again at possible sites for an enterprise zone in the farther south west, as John Nott has suggested. But I doubt whether there is any centre apart from Plymouth which would have either the development land, or the population to support more than a rather small EZ. I have asked officials to prepare a paper on options for such a phenomenon.

John Nott also draws our attention to possible problems if Speke were to be selected for an Enterprise Zone. Of course any sizeable cost in public expenditure terms might tell against particular locations for Zones, but my officials and Johns can give us an appreciation of the opportunities and costs of Speke later.

I am copying this letter to members of E Committee, to George Younger  
Nicholas Edwards, Humphrey Atkins, Sir Kenneth Berrill, and  
Sir Robert Armstrong.

Yes in  


MICHAEL HESELTINE



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24 APR 1980

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THE NORTH WEST AND YORKSHIRE (-HUMBERSIDE) REGIONS

It is hoped that Members will find the attached brief useful for the debate on Monday, 21st April 1980 on the North West and Yorkshire (-Humberside). A separate section on textiles, which is of relevance to both regions is also attached.

We learnt that the Labour Party changed the subject of debate late on Thursday from the West Midlands to Yorkshire. Even now we are unclear as to whether Humberside is included. We apologise for any shortcomings which this continuing confusion may have induced in the section on Yorkshire.

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## 1. The General Problem

Both the North West and the Yorkshire-Humberside regions experience a number of similar problems. Large areas of both are to lose assisted area status under the Government's policy of concentrating regional aid on areas with the most severe structural economic problems. Both regions - though Yorkshire to a greater extent - have managed to diversify their industries, which has proved a source of great strength, particularly in difficult times for steel and textiles. Above all, both are suffering from the effects of years of economic decline - particularly in manufacturing - and high import penetration in key sectors, resulting from Labour's mismanagement of the national economy.

Similarly, both the North West and-- even more so - the Yorkshire-Humberside regions, are themselves far from economically homogeneous. The special problems of Hull and Humberside are unrepresentative of those of the rest of the region; and in the North West, Merseyside stands apart from both urban and rural areas in the deep-seatedness of its structural economic problems. Both have retained their special assisted area status under the Government's new system of regional aid - the Humberside areas (Hull, Grimsby, Beverley and Hessle) with Development Area status, and the Merseyside area (Hoyle, Wallasey, Birkenhead, Bebington, Neston, Ellesmere Port, Runcorn, Widnes, Prescott, Old Swan, Kirkby, Walton, Crosby, Liverpool, Bootle, Belle Vale and Allerton) with Special Development Area status.

Further proof of the Government's realistic appreciation that certain areas within both the North West and Yorkshire-Humberside have special problems requiring special measures is offered by:

1. The shortlisting of Attercliffe, Sheffield, a site in Liverpool, sites in Manchester and Salford Docks/Trafford Park as possible Enterprise Zones.
2. The setting up of an Urban Development Corporation to deal with the development of the Liverpool dockside area.

2.

The North West - Bad News

The North West suffered severely as a result of five years of Labour Government and the economic decline over which Labour presided.

The Conservative Government between 1951 and 1964 provided much assistance to the North West. The building of the M6 and the electrification of the railway to Crewe were well under way by 1964.

Under the last Conservative government the whole region outside the Development areas was given Intermediate Area status in 1972. As a result of the relative economic buoyancy of the period and of these measures the North West Industrial Development Association could report in 1973 that prospects were good.

Circumstances were very difficult by the time that the last Labour government left office. The NWIDA reported in its last news letter before the general election - in April 1979 - : "The position is....likely to deteriorate further unless immediate positive action is taken". The government's success in squeezing inflation out of the economy and re-generating conditions for economic growth will determine the North West's future more than any degree of subsidy. However, because of the present depressed economy inherited from Labour a number of worrying closures have occurred:

- The transfer of Courtauld's investment near Preston to Northern Ireland will result in about 2,400 redundancies.
- Tootal plan the closure of textile mills at Bolton, Accrington, Stockport and Salford leading to the loss of 1,300 jobs.
- Stone Platt (textile machinery) are closing plant at Oldham, with a loss of about 850 jobs by the end of this year.
- The closure of the heavy end of Shotton steel works affects Ellesmere Port and particularly Chester, where it is estimated, about 1,000 of the redundant employees presently live.

The immediate prospects for employment are not thought to be encouraging either. The latest CBI Economic Situation Report (February 1980) notes that in the North West:

"Real profitability is low and the high cost of money is delaying investment. Companies are suffering from both cash flow and liquidity problems...Further labour shedding and closures, particularly in the textiles sector and those sectors associated with it, would seem to be inevitable".

Many of the textile closures are of small companies with relatively few employees. One of the larger ones recently was the closure by Intex Yarns of its factory near Wigan with 390 redundancies. However, over all the position is certainly serious. In the three months ending 31st December 1979 the Department of Employment was notified of 8,447 potential redundancies in the textile industry in the North West region alone.

The problems of Merseyside in particular remain acute, although vigorous efforts are being made to dispel its bad reputation as a site for development and to encourage new investment. Recent developments include: British shipbuilders are

...../launching

launching a drive to reduce their Cammell Laird workforce at Birkenhead by about 600 men. Ford are cutting 200 jobs at their Halewood, Liverpool plant, though there will be no redundancies. Triplex, the Pilkingtons subsidiary manufacturing windscreens, have announced cuts at three plants including Ecclestone in St. Helens which may cause altogether 450 redundancies. The most notable and depressing circumstances recently, however, are those surrounding the closure of the Airfix Meccano factory at Liverpool where 940 workers once worked and where, after a long sit-in, pickets are pledged to obstruct the removal of £2.5 millions worth of stocks.

Some of these closures are the result of special problems such as those facing textiles, from imports, high exchange rates and changing fashions, are principally sectoral. Others - high interest rates and low productivity and profitability - are in large measure the result of Labour's economic legacy and the need to overcome it. Some are necessary - such as those at Cammell Laird - to increase efficiency. However, it would be wrong for any reason to underplay the difficulties which the region faces.

### 3. The North West - Good News

It would <sup>also</sup> be wrong, however, to treat the North-West as one, economically homogeneous - and economically depressed - region. The particular problems of Merseyside - whose dockland/special UDC is being established to develop - do not apply in other areas. Greater Manchester is the scene of heavy investment in chemicals and computers, compensating for problems in engineering and textiles. Similarly in North East Lancashire unemployment is not high and diversification from textiles with employment being provided by British Aerospace, Leyland trucks and buses and smaller firms has allowed continuing prosperity. West Cheshire too has been the scene of heavy investment in the chemicals industry. It is worth noting that last year's unemployment figures in the North West region - outside Merseyside and Wigan - were lower than the national average.

More specifically the following developments certainly constitute "good news" for the North West:

- The proposed £25 million titanium granule plant to ensure a supply for Britain's Aerospace Industry is to be built at Shotton (which will affect the employment in the North West) The granting of SDA status to Shotton will also help in this regard.
- Courtaulds plan to expand yarn production at two of their mills in Shaw, Oldham. A new spinning plant at Briar Mill is expected to have doubled its capacity soon.
- The successful Norwegian owned Manchester Steel company are to spend £1.7 million developing their rod rolling mill at Openshaw, Manchester.
- Robertson food are to transfer total production of their James Robertson division from Bristol to Tameside.
- Last year Carrington Viyella of Lancashire's first purpose built cotton mill for 50 years, which cost over £6 million, opened at Atherton, near Bolton.

- ICL (computers) based in Manchester are still successful and investing heavily.
- Similarly GEC - Fairchild at Neston in the Wirrall are developing micro-chip production and hope to employ 1,000 workers in the fullness of time.
- Foreign investment is provided by about 600 companies which have invested in the North West in a variety of sectors and areas. Among the most notable is the Japanese zip-fastener producing firm, YKK, at Runcorn.
- British Aerospace at Warton near Preston and at Broughton near Chester (where the wings of the European Airbuses are manufactured) continue to provide secure employment.
- British Leyland's plant at Speke is unlikely to be affected by the company's plans for redundancies.
- BL's £32 million assembly hall at Leyland in Lancashire is the site of the launching of the company's T45 truck range.

Because of its diversification into a variety of industries, the North West's success stories come, therefore, from many sectors, public and private, and even (in a few cases) textiles. They illustrate that given the right economic climate the North West's historic problems can be overcome.

#### 4. Unemployment in the North-West

Unemployment in the North Western region more than doubled under the Labour Government. In March 1974 when Labour came to power, there were 95,466 people unemployed in the region, representing 3.2% of the employed population (90,600 seasonally adjusted). Only three years later, in August 1977, the seasonally adjusted number of unemployed was just under 200,000 people, 7.1% of the employed population. When Labour left in May 1979, the number of unemployed stood at 184,032, representing 6.7% of the population (189,800 seasonally adjusted).

Unemployment rose, but only marginally, under the last Conservative Government. From June 1970 to March 1974, the number of unemployed (seasonally adjusted) increased in the region from 75,300 to 90,600, an increase from 2.5% to 3.2% of the employed population. From May 1979 to March 1980, unemployment increased from 6.7% (189,800) to 7.5% (212,200).

Under the Conservative Government from 1970 to 1974, unemployment, (the seasonally adjusted) rate, actually decreased in some local areas; however, during the lifetime of the Labour Government (1974-79) unemployment increased in every local area. These dramatic increases included a jump in (seasonally adjusted) unemployment in Liverpool from 6.0% to 11.8% (39,126 to 57,060) and in Manchester from 2.7% to 5.2% (19,224 to 36,634). In the Merseyside Special Development Area, the rate increased from 5.7% to 11.0% (42,927 to 83,371) and in Preston the rate rose from 2.1% to 4.7% (2,921 to 6,799). In Wigan, designated by the Conservatives as a Special Development Area, unemployment rose under Labour from 2,593 people (3.7%) in March 1974 to 6,081 unemployed (8.7%) in May 1979.

Even more telling evidence of the damage done under Labour is the increase in long term unemployment. In July 1974, there were 19,600 men who had been out of work for more than one year. At the end of Labour's tenure, this number had increased by almost two and a half times, leaving 48,700 men who in July 1979 had been unemployed for more than a year.

5. Regional Policy

The Government's regional policy changes announced last July and incorporated in the Industry Bill have four principal characteristics:

- a) They concentrate aid where it is most needed
- b) They avoid sudden disruptive change
- c) They are more cost effective than the old system
- d) They retain flexibility.

a) Need

Although the three-tier system of SDAs, DAs and IAs is to be retained, help will be concentrated on SDAs by retaining the present level of regional development Grant there and withdrawing it from the Intermediate Areas. Moreover, once the changes have fully come into effect, 25%, rather than 40% as at present, of the working population will be living in assisted areas. Section 7 grants will still be available where genuine need is proven.

b) Gradual Change

RDG will continue to be paid at 20% in DAs and IAs on expenditure defrayed before 18th July 1979 and on assets provided before 1st August 1980. Where an Intermediate Area is now scheduled to become a non-Assisted Area, there is a three year transitional period. Where a place is to go down by more than one grading, it retains its present grading for a year, then descends one grade - which it retains for 2 years - before moving to its final grading after a review by the D.O.I. The Government will review after two years the progress of areas which become non-assisted as a result of a drop of two grades. This is in sharp contrast to the way in which the Labour Government cut out Regional Employment Premium in a matter of weeks in December 1976.

c) Savings

The new system will cost less than the old. The changes will by 1982-83 lead to a total saving of £233 million.

d) Flexibility

Not only are down-gradings subject to review (see above), but also i) Section 8 grants are retained to steer internationally mobile projects to areas of the UK, and ii) Government is prepared to be flexible as with the up-grading of Shotton to SDA status.

e) The North-West

Areas of the North-West are to lose Assisted Area status, because it is recognised that they face fewer major structural difficulties. On the other hand, as part of the long overdue review of real needs in the regions, it has been decided to up-grade Wigan from Intermediate Area to Development Area status - something which the last government, in spite of continued pressure, failed to do.

Changes in Assisted Area status in the North-West are:-

<u>TTWAs/EOAs</u>	<u>Present Status</u>	<u>Revised Status</u>	<u>Date(s) of Revision(s)</u>
<u>North west</u>			
Accrington TTWA	IA	Non-AA	1 Aug 1982
Ashton-under-Lyne TWAA	IA	Non-AA	"
Blackburn TTWA	IA	Non-AA	"
Bolton TTWA	IA	Non-AA	"
Burnley TTWA	IA	Non-AA	"
Bury TTWA	IA	Non-AA	"
Crewe TTWA	IA	Non-AA	"
Leigh TTWA	IA	Non-AA	"
Nelson TTWA	IA	Non-AA	"
Northwich TTWA	IA	Non-AA	"
Manchester TTWA	IA	Non-AA	"
Oldham and Chadderton TTWA	IA	Non-AA	"
Ormskirk EOA	IA	Non-AA	"
Skelmersdale EOA (excluding the new town)	IA	Non-AA	"
Preston TTWA	IA	Non-AA	"
Rossendale TTWA	IA	Non-AA	"
Rochdale TTWA	IA	Non-AA	"
Warrington TTWA	IA	Non-AA	"
Wigan TTWA	IA	DA	18 July 1979
Barnoldswick EOA	IA	Non-AA	1 Aug 1982
Chester EOA	IA	Non-AA	"
Clitheroe EOA	IA	Non-AA	"
Macclesfield EOA	IA	Non-AA	"

6. Yorkshire - The Industrial Situation

The strength of Yorkshire's industrial base has traditionally been in its diversity. As a result, in spite of continuing problems in the textile industry and in steel and engineering, Yorkshire-Humberside's unemployment level has hovered around the national average, though it has recently risen rather higher. The region is most noted for its iron production (about a quarter of UK output), steel (about a third of UK output), and coal (about a quarter of UK output). It is also, especially in the West Riding, very strong in textiles. In 1976 it accounted for nearly a quarter of the UK's net textiles output.

Other strengths of the region are:

- a first-class transport and communications network, via the M1 and M62. Both rail and air connections have improved considerably in recent years.

- the development of industrial estates along the M62 corridor and near to the M1. On the south bank of the Humber large tracts of land have for several years been designated for special industries, like chemicals.

- a healthy number of small firms. In the last year, 19 small companies were attributed to the area by the Yorkshire and Humberside Development Association, creating 500 jobs. 3 of these companies were Norwegian.

- Chemicals. Humberside and the North-East are one of the principal centres of the UK chemicals industry. As with manufacture of man-made fibre based textiles, there are worries about the effect of cheap US imports advantaged by the artificially low price of US oil based feed stocks upon the UK chemicals industry. The rise in the price of naphtha - which has led to major price rises in the chemicals product - is also a worry. But industrial relations are probably a more important factor than markets in ensuring the success of the firms based in the region; the lorry drivers' strike last winter was, for instance, said to have cost ICI alone nearly £100 million in lost sales (Daily Telegraph, 8th February 1979).



Principal problem areas are:

- Textiles. (see separate section).

- Steel: The future of employment at Scunthorpe and Sheffield is still unclear, especially after the damaging steel strike. However, if productivity was as high elsewhere within BSC, as it is in Rotherham, there would be few problems in the industry. Sheffield and Rotherham have remained profitable throughout the slump in steel demand. At Rotherham the use of electric arc-based processes in specialist steel production from scrap metal allows the same productivity level - in terms of £ output per man - as at the private Sheerness works. The Rotherham plants have received heavy investment, and efficient working practices have allowed it to be properly used. £16 million of new investment has gone into Templeborough - one of the Rotherham works - alone recently. The output of Rotherham's melting shops and bar mill are said to be higher than their equivalents in Japan.

Paradoxically, the South Yorkshire area, where wages are in general much higher than elsewhere within the Corporation, is very militant, and certain areas of Rotherham and Sheffield have a long militant tradition. There is a widespread fear that the profitable works at Rotherham could be sold back to the private sector - a move opposed principally on ideological and political grounds by those involved.

The private steel firms at Rotherham and Sheffield employ about the same workforce in total as does the BSC there - i.e. about 15,000 to 20,000.

The return of work at BSC appears to have gone more smoothly than might be expected in the area. It has restored business confidence and consumer spending, particularly in Scunthorpe, which was hard-hit by the strike.

Engineering. Order books are still said to be low and the effect of recent steel strike upon them has to be made up. Smaller engineering companies appear to be prospering more than some of the larger plants. Those firms dependent on British Aerospace, Defence, Mining and energy equipment are doing best.

- Wool Textiles. The general decline in the home market remains a problem, though exporters continue to record successes - many more than a year ago.

- Cutlery and Special Steels. Import penetration remains a major problem.

- Glass Container Industry. The industry continues to prosper in the York and Rotherham areas.

- Fisheries

The East coast of England has traditionally been one of the major bases of the British fishing industry, for centuries. Humberside and Grimsby have had, in their time, vast fleets of deep sea trawlers with large associated industries on shore to support them.

Today, the story is very different. Rusting hulks lie idle at the quayside and those vessels that do go to sea at all are barely breaking even with many of them changing crews each voyage to allow the fisherman at least part time work.

The reasons for this appalling state of affairs are three-fold:

(a) the loss of traditional distant fishing grounds such as Iceland (deep sea vessels are more often than not unsuitable for conversion to inshore or near water fishing mainly because of size).

(b) the reduction in fishing opportunities in European waters because of overfishing in previous years (the total ban on herring fishing in EEC waters is an example.)

(c) the total failure of the last Government to re-negotiate the Common Fisheries Policy to the advantage of UK fishermen.

The Conservative Government since the last Election, have entered the Brussels negotiations for a new Common Fisheries Policy on the premise that it is better for the industry's sake for Ministers to talk than to block discussion in the Council of Ministers.

It is no use Governments sitting tight and allowing industry to rust away by the time the old CFP runs out at the end of 1982. Alick Buchanan-Smith, Minister of State at the Ministry of Agriculture has achieved a lot in a short time and at least he is making progress when compared with the efforts of Mr Silkin over the last two years of the Labour Government.

- Coal

The Selby Coalfield is the centre piece of the NCB's plans to increase coal production in North Yorkshire from its present 8.5 m tonnes to 17 tonnes by 1990. £254 million of a total £600 million (today's prices) has already been spent, and production will start in three years. Spending at Selby is now running at £1 million per week, and 4,000 miners will eventually be employed.

£100 million is being spent to improve existing N. Yorkshire mines, and a new drift mine costing £45m is being developed at the Prince of Wales pit near Pontefract.

While the N. Yorkshire area lost £14.3 million last year, the Kellingley colliery, established 1958, made a £12 million profit. This illustrates the importance which the Government attaches to securing miners' co-operation in a "new mines for old" deal. Four or five N. Yorkshire coalfields face closure in the next four years.

## 7. Unemployment in the Yorkshire and Humberside Region

Unemployment in the Yorkshire and Humberside region more than doubled under the Labour Government. In March 1974, when Labour came to power, there were 54,696 people unemployed in the region, representing 2.6% of the employed population (51,200 seasonally adjusted). Only three years later, in August 1977, the (seasonally adjusted) number of unemployed was 115,700 accounting for 5.6% of the employed population. When Labour left in May 1979, having tried to unrealistically spend their way to higher employment, the number of unemployed stood at 109,057 representing 5.4% of the population (113,300 seasonally adjusted).

Unemployment has risen, but only marginally, under the Conservatives. From June 1970 to March 1974, the number of unemployed increased in the region from 53,253 to 54,696. But seasonally adjusted this was actually a decrease from 56,000 (2.8%) to 51,200 (2.6%). From May 1979 to March 1980, unemployment increased from 113,300 (5.4%) to 126,200 (6.0%) seasonally adjusted.

Under the Conservative Government from 1970 to 1974, unemployment in Yorkshire (the seasonally adjusted rate), actually decreased in some local areas; however, during the lifetime of the Labour Government (1974-79) unemployment increased in every local area. These dramatic increases included a jump in (seasonally adjusted) unemployment in Leeds from 2.3% to 4.7% (7,041 to 16,092) and in Sheffield from 2.1% to 4.5% (5,880 to 13,273). Other dramatic increases took place in Bradford from 3,738 (2.3%) to 10,787 (6.2%) and in Barnsley from 2,670 (3.6%) to 5,168 (6.4%).

### - Long term unemployment

Even more telling evidence of the damage done under Labour is the increase in long-term unemployment. In July 1974, there were 11,500 men who had been out of work for more than one year. At the end of Labour's tenure, this number had increased by more than double leaving 24,400 men who in July 1979 had been unemployed for more than a year.

## 8. Yorkshire - Regional Aid Changes

Although a large number of Intermediate Areas in Yorkshire-Humberside are scheduled to lose Assisted Area status in August 1982, the worst areas of Humberside (See Section 1) will retain Development Area status. Furthermore, in recognition of special problems there, Mexborough and Rotherham have been up-graded from Intermediate to Development Areas. The following table shows the detailed changes:

<u>TTWAs/EOAs</u>	<u>Pre-sent Status</u>	<u>Revised Status</u>	<u>Date(s) of change(s)</u>
Castleford TTWA	IA	Non-AA	1st August 1982
Dewsbury TTWA	IA	Non-AA	"
Halifax TTWA	IA	Non-AA	"
Leeds TTWA	IA	Non-AA	"
Mexborough TTWA	IA	DA	18th July 1979
Scunthorpe TTWA	IA	Non-AA	1st August 1982

<u>TTWAs/EOAs</u>	<u>Present Status</u>	<u>Revised Status</u>	<u>Date(s) of Change(s)</u>
Sheffield TTWA	IA	Non-AA	1st August 1982
Wakefield TTWA	IA	Non-AA	"
Driffield EOA	IA	Non-AA	"
Filey EOA	IA	Non-AA	"
Harrogate EOA	IA	Non-AA	"
Huddersfield EOA	IA	Non-AA	"
Keighley EOA	IA	Non-AA	"
Malton EOA	IA	Non-AA	"
Northallerton EOA	IA	Non-AA	"
Pickering EOA	IA	Non-AA	"
Ripon EOA	IA	Non-AA	"
Rotherham EOA	IA	DA	18th July 1979
Scarborough EOA	DA	IA	1st August 1980
Selby EOA	IA	Non-AA	1st August 1982
Skipton EOA	IA	Non-AA	"
Thirsk EOA	IA	Non-AA	"
Todmorden EOA	IA	Non-AA	"
Whitby EOA	DA	IA	1st August 1980
York EOA	IA	Non-AA	1st August 1982

The following is an account of the position on 7th February 1980, together with an addendum to bring it up to date.

i) BACKGROUND INFORMATION

The textiles and clothing industries are a dynamic sector of our economy. Together they employ nearly 800,000 people - more than the textiles and clothing industry of any other country in Europe. Since the war, the industry has been confronted with rapid technological change (in machines, dyes and fabrics for example), major shifts in fashion trends (particularly towards lighter and more informal clothing) and rising import penetration. Over the last decade the predominant trends in the industry have been increasing productivity and a declining workforce.

While remaining one of Britain's major industries, clothing and textiles are now well established in almost every other country in the world. Many developed countries - particularly the United States and other EEC member-states - have significant textiles and clothing industries. By the same token, many developing countries have become increasingly important suppliers of textiles and clothing (Hong Kong, India, the Philippines, etc).

For the developing world, textiles are a particularly attractive first step on the road to industrialisation because the world market for textiles continues to grow. Above all, the rush into textile production by developing countries was, and is, based on the undoubted attraction of the opportunities for export earnings in developed markets.

Today Britain imports less than one third by value of her textiles and clothing needs. At the same time nearly a quarter of the industries' production is exported. Both imports and exports have risen with the expansion of the world trade and the arrival of improved technologies.

Latest figures on the pattern of our imports suggest that some two thirds of our clothing and textiles imports come from "developed" countries (EEC, EFTA, USA and other developed OECD countries) with the rest coming from "low cost" countries. Since 1974 imports from the EEC have grown rapidly (by 221%) as have our exports (225%). Between 1974 and 1978 imports from low-cost countries grew by 34% in real terms, although there were more dramatic incursions by low cost suppliers at the lower end of the market - 70% of knitted shirts (T shirts) are imported. In the trousers sector, 27% by value is imported but 35% of jeans come from Hong Kong alone.

ii) PROTECTIVE ARRANGEMENTS

High cost sources.

Our trade in textiles and clothing with high cost sources has been quota-free and some of this trade is also duty-free (e.g. EEC). While supporting this open trading, the Government is determined to combat unfair trading practices which may distort trade in textiles (e.g. dumping, subsidies and false labelling).

The Government announced today (February 7th) that it has applied to the European Commission for action to restrict by quota imports into the UK of polyester filament yarn, nylon carpet yarn and man-made fibre tufted carpets. The recent increase in the levels of imports of these products into the UK - based partly on cheap energy feedstock in the US - has, in the Government's view, caused serious injury to our domestic

member states with the Mediterranean countries. This would impose no obligation on the UK to open outward processing quotas, but will place certain limitations on the use of their quotas by other EEC states.

#### Free Circulation.

Under the provisions of the Treaty of Rome once goods have entered the Community they are in general free to circulate to other Member States. There is, however some control. Where goods are subject to a formal external quota a member state may apply to the Commission for action under Article 115 of the Treaty. In this way, permission can be obtained to deny access to free circulation goods if the amounts entering the member state involved represent a significant proportion of the quota total.

The Government does not hesitate to make applications to the Commission under Article 115 when it judges they would be successful. 20 successful applications were made between May and December 1979.

N.B. In 1978, there were only two cases where indirect trade of this kind amounted to more than 1% of direct low cost imports of any particular category of goods.

#### Origin Fraud.

It is an offence to make a false declaration of origin when importing goods into the UK. If the industry suspects that origin frauds are evading textile quotas, the Government can act. But what the Government requires at the outset is firm evidence to pursue these complaints. The investigative resources of Customs and Excise are limited, and these cases cannot be pursued without at least good prima facie evidence, which it is up to the industry to provide.

#### iii) THE GOVERNMENT'S RECORD.

- The present Government has been just as diligent as its predecessor in implementing the present MFA system of control.

- Since May 1979, two new voluntary restraint arrangements have been negotiated (with Malta and Cyprus) which means that all Mediterranean producers, except Turkey, are now under restraint

- 21 new quotas have been introduced covering new products under the MFA.

- An MFA-type agreement was concluded with China in June 1979

- 20 successful Article 115 applications have been made to control free-circulation goods.

- Safeguard action was taken last year against imports of Turkish cotton yarn.

- The first voluntary restraint arrangement with a Lome Convention country (Mauritius) is now being negotiated.

The Government recognises that there can be no question of lifting controls on low-cost imports. But it has not committed itself to renewing the MFA unchanged in 1982.

There are two years to go before the present MFA expires - three years before the bilaterals expire - and it would be premature to take a final decision at this stage. Nevertheless, discussions on successor arrangements are likely to get under way this year, and both the Commission and the UK Government are now starting work on this question. In practice, any arrangements have to be internationally agreed to be effective, and this will involve negotiations within the EEC and then with the developing producer countries.

Whatever the future of the MFA, one thing is clear. The Government wants to see a viable, efficient textile industry. What it cannot do is to regulate fashion changes, protect firms that do not up-date their designs, protect workers who will not operate modern machines effectively or generally stop or control imports of textiles from other developed countries, many of which have wage costs far in excess of our own.

It will, however, continue to help the industry, by checking the levels and rates at which imports from low cost countries penetrate the UK market and fighting unfair competition from wherever it comes and whenever it can be proved.

iv) ADDENDUM

Mr. Nott told the House in a statement on 18th February that the Commission had agreed import quotas for the UK on polyester filament yarn and nylon carpet yarn, but not on man-made fibre tufted carpets, where our case was weakest. The carpet manufacturers and other downstream knitters are understandably aggrieved at being denied access to cheaper imported raw materials, other EEC fibre makers are now pressing for comparable protection, and there is a strong danger of retaliation by the USA against EEC steel producers. It is thought that American anti-dumping proposals, even if subsequently disallowed, may halve EEC steel sales in 1980 from a likely level of 5 million tonnes at a cost to European producers of nearly £500 million. This illustrates the general point that the disadvantages of protection may frequently outweigh supposed benefits.

The potential for improvement within the clothing industry was outlined dramatically by a report of the Clothing Industry Productivity Resources Agency, publicised on 21st March. It said that the industry could reduce its prices, increase its profits and pay better wages if it used better manufacturing systems and methods. It reckoned that the average potential increase in productivity in the 22 companies investigated is 40 per cent - in some companies, 100 per cent. The average ratio of support workers to manufacturing workers is 58 to 100, as against 29 to 100 in West German companies. As a result, the latter can compete effectively in the UK market despite paying wages twice as high as the UK average.

The Government recognises the need for the continuation of effective import restraints after the MFA expires, and 'The Times' reported on 28th March that it is to renegotiate the MFA for this purpose after it expires. 22 new quotas under the MFA have been introduced since May, and about 30 successful Article 115 applications have been made. Mr. Nott revealed that it takes no

longer for the EEC to process anti-dumping cases now than it did before responsibility was transferred from the UK, and said that Mrs. Oppenheim was looking into the possibility of making origin marking compulsory for certain types of consumer goods including clothing and textiles; a statement may be made after consultations with the industries are completed (letter to Messrs. Winterton and Ford, 17th March).

10.

Appendix - The Rates

The following table demonstrates that both in the North-West and in Yorkshire Labour-controlled local authorities in general have treated their unfortunate rate-payers to much higher rate rises than Conservative-controlled ones.

		<u>% Increase - District Domestic Rate</u>
<u>NORTH WESTERN AREA</u>		
CON	<u>Cheshire</u>	
CON	Chester City	31.05%
CON	Congleton	28.14%
NOC	Crewe & Nantwich	29.62%
SOC	Ellesmere Port & Neston	28.64%
SOC	Halton	27.87%
CON	Macclesfield	27.40%
NOC	Vale Royal	27.02%
CON	Warrington	30.10%
CON	<u>Cumbria</u>	
NOC	Allerdale	22.13%
SOC	Barrow-in-Furness	23.31%
SOC	Carlisle City	27.84%
SOC	Copeland	21.87%
IND	Eden	22.69%
NOC	South Lakeland	21.66%
CON	<u>Lancashire</u>	
NOC	Blackburn	14.74%
CON	Blackpool	16.97%
SOC	Burnley	18.18%
CON	Chorley	18.22%
CON	Fylde	16.28%
CON	Hyndburn	15.98%
CON	Lancaster City	16.77%
NOC	Pendle	18.07%
CON	Preston	14.90%
CON	Ribble Valley	15.13%
CON	Rossendale	15.42%
CON	South Ribble	17.91%
CON	West Lancashire	15.27%
CON	Wyre	16.40%



% Increase - District  
Domestic Rate

CON	<u>Greater Manchester</u>	
CON	Bolton	19.30%
CON	Bury	33.30%
SOC	Manchester City	30.90%
CON	Oldham	16.00%
NOC	Rochdale	26.00%
SOC	Salford City	29.30%
CON	Stockport	23.20%
SOC	Tameside	33.50%
CON	Trafford	22.20%
SOC	Wigan	22.20%
CON	<u>Merseyside</u>	
SOC	Knowsley	38.10%
NOC	Liverpool City	50.60%
SOC	St. Helens	30.30%
CON	Sefton	23.60%
CON	Wirral	23.90%
CON	<u>YORKSHIRE AREA</u>	
CON	<u>Humberside</u>	
CON	Beverley	36.89%
CON	Boothferry	37.97%
NOC	Cleethorpes	37.33%
CON	Glanford	33.87%
SOC	Grimsby	40.15%
IND	Holderness	37.37%
SOC	Kingston Upon Hull City	45.88%
CON	North Wolds	35.50%
SOC	Scunthorpe	38.71%
CON	<u>North Yorkshire</u>	
CON	Craven	23.72%
IND	Hambleton	28.29%
CON	Harrogate	26.94%
IND	Richmondshire	23.72%
IND	Rydale	25.69%
CON	Scarborough	22.73%
CON	Selby	25.24%
CON	York City	24.36%
SOC	<u>South Yorkshire</u>	
SOC	Barnsley	35.40%
SOC	Doncaster	36.30%
SOC	Rotherham	29.70%
SOC	Sheffield City	45.00%
CON	<u>West Yorkshire</u>	
CON	Bradford City	16.50%
NOC	Calderdale	27.00%
NOC	Kirklees	30.10%
NOC	Leeds City	19.70%
SOC	Wakefield City	19.50%



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*Regional Policy*  
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10 DOWNING STREET

THE PRIME MINISTER

9 April 1980

Dear Mr Coleman

Thank you for your letter of 20 March with which you enclosed one from the Clerk of the West Glamorgan County Council about regional aid status.

Whilst the Government is fully aware of the uncertainty in South Wales regarding the Assisted Area gradings of the areas likely to be affected by the British Steel Corporation's proposals at Port Talbot and Llanwern, it is really not sensible to take final decisions on Assisted Area gradings in advance of BSC's decisions, which will follow appropriate consultations with the unions, as our decisions on Assisted Area gradings must take proper account of the local impact of any steel redundancies and the period over which they are to take place.

As you know, BSC had originally hoped to have completed their consultations with the unions by 31 March, but because of the strike, they can, of course, no longer adhere to this timetable. We cannot, therefore, reach a decision at present on the Assisted Area gradings, but I can assure you that we will do so as quickly as possible after BSC have themselves given their final decision on the future of the steel-making plants in question. I hope, therefore, that Keith Joseph will be in a position to make an announcement well before the Assisted Area changes on 1 August.

Yours sincerely

MT

## ENTERPRISE ZONES

R.

Sir Geoffrey Howe announced in his Budget Speech the Government's intention to establish about six Enterprise Zones. This idea was first set out by him in a speech to a Bow Group meeting which took place on the Isle of Dogs in June 1978.

The aim is to test a radical new approach to the problems of economic and physical decay/<sup>mainly</sup> in areas of urban dereliction. Successive Governments have had policies for regional development, inner city development, rural development and urban development. Too often, they have been strangled by red tape, taxation and planning bureaucracy.

Economic black spots remain - apparently unrelieved by all these well-meaning efforts.

We believe the answer to economic deterioration is to create a more attractive environment for enterprise - and through enterprise, the creation of new jobs. The aim in establishing Enterprise Zones is to test the extent to which industrial and commercial activity can be encouraged by lightening certain fiscal burdens, and removing or streamlining the administration of statutory or administrative controls.

The Enterprise Zone experiment sets out to stimulate economic development by removing the hand of government as far as possible. Fiscal and other concessions will offer incentive to the private sector to take on tasks which have hitherto been seen as matters for public expenditure.

The location and boundaries of Enterprise Zones will be decided after consultation with local authorities and other organisations. It is envisaged that each zone will be of approximately 100-500 acres in area. The first zones could be in operation about the end of the year. They will be designated for ten years.

The proposed measures and short list of sites are listed in the annex to this note.

## ENTERPRISE ZONES

- (i) Government intends to set up about half a dozen Enterprise Zones each of approximately 100-500 acres in areas with problems of economic and physical decay. Initially zones will be designated for 10 years. Both new and existing firms within Zones will benefit from:
- (a) Exemption from Development Land Tax (no cost figures available)
  - (b) 100 per cent capital allowances (for corporation and income tax purposes) on commercial and industrial buildings. At present industrial buildings claim 50 per cent initial allowance, balance at 4 per cent per annum; commercial buildings (other than some hotels) not eligible for capital allowances. Full year cost £20 million.
  - (c) Abolition of general rates (but not water rates) on industrial and commercial property (cost about £10-15 million pa)
  - (d) Simplification of planning procedures
  - (e) Establishments within Zones will be exempted from Industrial Training Boards (ITBs) training levy and from requirement to furnish information to ITBs
  - (i) priority processions for applications for "customs warehousing" and "inward processing relief" concessions, and relaxation of criteria for decisions on "private" customs warehouses.
  - (g) Any remaining requirements for Industrial Development Certificates in Zones will be abolished
  - (h) Government will minimise its requests for statistical information.
- (ii) The location and boundaries of Enterprise Zones will be decided after consultation with local authorities and other organisations. Discussions will initially be concentrated on the following areas within which Enterprise Zones might be located.

### England

#### Region

Northern

Yorks and  
Humberside

North West

West Midlands

South East

#### Scotland

#### Wales

#### Northern Ireland

#### Area

A Tyne and Wear site

Attercliffe,  
Sheffield

A Merseyside site  
Trafford Park  
Manchester and Salford Docks

Bilston

A London site

A site on Clydeside

Lower Swansea Valley

Belfast inner city site

These represent a first list for consideration. Other sites may be considered.

CONFIDENTIAL

*Ind R*



DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301  
SWITCHBOARD 01-212 7676

PS / *Secretary of State for Industry*

*20* March 1980

Richard Tolkien Esq  
Private Secretary to the  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
London SW1

*Dear Richard,*

*12  
22/3*

ENTERPRISE ZONES

The Chancellor's minute of 20 March to the Prime Minister asked (in paragraph 5) for my Secretary of State's agreement to the co-operation of his officials in the giving of priority treatment to applications for inward processing relief from firms within an enterprise zone. My Secretary of State is pleased to consent to this arrangement and welcomes in general the additional measure proposed.

I am copying this letter to the Private Secretaries of members of E Committee, George Younger, Nicholas Edwards, Humphrey Atkins, Sir Kenneth Berrill and Sir Robert Armstrong.

*Yours ever,  
Pete.*

PETER STREDDER  
Private Secretary

CONFIDENTIAL

Regional

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD  
WHITEHALL PLACE, LONDON S.W.1

Blind

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From the Minister

CONFIDENTIAL

The Rt Hon Sir Geoffrey Howe QC MP  
HM Treasury  
Parliament Street  
London  
SW1P 3HE

Mr

26 March 1980

*Oliver Gough*

ENTERPRISE ZONES

In your minute of 20 March to the Prime Minister you described an additional measure to be included in the package. I see no difficulty about giving priority for inward processing relief applications from firms in Enterprise Zones, and will instruct my officials accordingly. Michael Heseltine's letter to you of the same date is also concerned with this point.

I am copying this letter to the Prime Minister, other members of E Committee, George Younger, Nicholas Edwards, Humphrey Atkins, Sir Kenneth Berrill and Sir Robert Armstrong.

*Peter Walker*

PETER WALKER

226 MAR 1961

10 11 12 13 14  
9 8 7 6 5 4



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD  
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
The Treasury  
Parliament Street  
London SW1

*R 26/3*

26 March 1980

ENTERPRISE ZONES

I have seen Michael Heseltine's letters of 6 and 17 March about enterprise zones.

I am particularly concerned that the concept of enterprise zones in derelict urban areas should be implemented as this will endorse Government policy not only in relation to environmental issues, to which Michael refers in his letter of 6 March, but also, in regard to the prevention of land being lost to agriculture. The Government's policy for the protection of agricultural land must be applied vigorously and I would support any move which encourages the development of derelict urban sites rather than greenfield sites. I was therefore interested in Michael's reference to the reclamation of derelict land with a negative market value and whilst my Department has no funds to deploy for this purpose I feel that this would be a very worthwhile use of public resources.

I am copying this letter to colleagues on 'E' Committee, to George Younger, Nicholas Edwards, Humphrey Atkins, Sir Kenneth Berrill and Sir Robert Armstrong.

PETER WALKER



RECEIVED BY THE DIRECTOR OF THE BUREAU OF THE ARMY AND NAVAL STORES  
WASHINGTON, D. C. 20315



26 MAR 1954  
6 12 1  
6 8 4  
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*[Handwritten signature]*

EXHIBIT NO. 101

I have been directed to advise you that the following information is being furnished to you for your information.

The information is being furnished to you for your information and is not to be distributed outside your office. It is being furnished to you for your information and is not to be distributed outside your office. It is being furnished to you for your information and is not to be distributed outside your office.

68

I am copying this letter to the Director of the Bureau of the Army and Naval Stores, Washington, D. C. 20315.

68

1954



Secretary of State for Industry

DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB  
TELEPHONE DIRECT LINE 01-212 3301  
SWITCHBOARD 01-212 7676

25 March 1980

The Rt Hon John Nott MP  
The Secretary of State for Trade  
Department of Trade  
1 Victoria Street  
London SW1H 0ET

*John Nott*

#### ENTERPRISE ZONES

I have read with interest your letter of 13 March to the Chancellor about Enterprise Zones (EZs).

Our Departments' joint Regional Office for the South West, together with the South West Industrial Development Office, is reconsidering with the Department of the Environment the scope for EZs in the South West, particularly west of Bristol.

Your suggestion that part of the South West west of Bristol "has never been regarded as a potential industrial area by the Department of Industry" does less than justice to your own vigorous advocacy! Whereas before our changes last summer in the gradings of the Assisted Areas (AAs) some 18% of the employed population of the South West Region was included in the AAs nearly 23% is now included: Torbay has been added, Redruth, Camborne and Hayle have become Special Development Areas (SDAs) for the first time (because of the very high rates of unemployment which you have mentioned), and the whole of Cornwall is now either a SDA or a Development Area. Plymouth has also been designated as a DA. So I think that the substantial industrial component of the Far South West has certainly been registered.

I am sending copies of this letter to the other recipients of Geoffrey Howe's minute to the Prime Minister.

*Geoffrey Howe*

25 MAR 1980



Regional Policy



✓ Mr Lytton

42 2

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

PRIME MINISTER

trad many

Mr Lee  
sen.

*[Handwritten signature]*

R. 24/3

Prime Minister

This is essentially a "tidying up" minute. The policy document attached will be sent to local authorities next Thursday.

ENTERPRISE ZONES

I am grateful to you and to other colleagues on E Committee for the general welcome you have given to the proposals outlined in my minute of 29th February about Enterprise Zones.

R

21/3

...

2. I enclose a revised version of the policy document which we propose to send to local authorities and other interests. This reflects the further refinements to the planning procedures which are being considered by Michael Heseltine. We have already begun the process of consulting Parliamentary Counsel about the draft clauses for both the Finance Bill and the Local Government Planning and Land Bill. In this context, I am particularly grateful to Jim Prior to undertaking to try to include the provisions for exemption of establishments in Enterprise Zones from the scope of Industrial Training Boards in legislation which he will be proposing next session on industrial training. These were the only provisions which Parliamentary Counsel considered were clearly outside the scope of the Finance Bill or the Local Government Bill.

3. I do not propose to comment in detail on the various points which colleagues have raised. In most cases we have been able to take these on board, and any minor points can be settled at official level. Most of the comments have been concerned with

/sites.



sites. Here I would like to stress that final decisions will depend very much on the outcome of consultations with the local authorities. It does not mean that sites such as Scotswood Road/Derwenthaugh/Newburnhaugh are not to be the subject of consultation, though I personally think we will conclude that this site is too expensive.

4. I share John Nott's disappointment that it has proved impossible to identify a suitable site in the South West. But I note that he agrees that Avonmouth is not the answer. In this case, I do not believe that the problem has been ignorance of the conditions in parts of Cornwall, but the difficulty of finding a site of between 150 and 200 acres where there is either urban dereliction or where the land is already zoned for industrial use. These are the criteria we have imposed on other sites. I cannot imagine that John Nott would wish us to select a green-field site in the South West.

5. I should also like to suggest an additional measure for inclusion in the package. This is the proposal that Customs and Excise, and the other Departments concerned, should

- (a) give priority treatment to applications from firms within an Enterprise Zone for "Customs warehousing" and "inward processing relief" facilities, and
- (b) take a more sympathetic view of applications for "private" Customs warehouses (to date Customs and Excise have required evidence of some export trade or a requirement for specialised storage before granting such requests).

In the case of "inward processing relief" facilities, co-operation would be necessary from the Departments of Trade, Industry and the Ministry of Agriculture, Fisheries and Food (in the case of CAP goods), as well as from Customs and Excise. I should be most grateful if John Nott, Keith Joseph and Peter Walker could agree

/that their



that their officials should give priority treatment to applications for inward processing relief from firms in Enterprise Zones. Clearly the provisions of the various EEC Directives governing this area would need to be respected.

6. I intend to announce the Government's policy on Enterprise Zones in my Budget Speech on 26th March. The policy document will be given to local authorities and other interests on 27th March. I hope that we will be in a position to designate Enterprise Zones before the summer recess, though the necessary Parliamentary procedures are unlikely to be completed until November.

7. I am copying this minute and enclosure to members of E Committee, to George Younger, Nicholas Edwards, Humphrey Atkins, Sir Kenneth Berrill and Sir Robert Armstrong.

(G.H.)

20 March 1980

## LIST OF SITES AND AUTHORITIES FOR INITIAL CONSULTATIONS

The location and boundaries of Enterprise Zones will be decided after consultation with local authorities and other organisations.

Discussions will initially be concentrated on the following areas within which Enterprise Zones might be located. These represent a first list for consideration. Other sites may be considered in the light of the development of the discussions and proposals.

England

<u>Region</u>	<u>Area</u>	<u>Local Authorities</u>
Northern	A site in Tyne and Wear	Tyne and Wear County Council and the District Councils
Yorks and Humberside	Attercliffe, Sheffield	South Yorkshire County Council Sheffield City Council
North West	A site in Liverpool ) (either in the UDC ) or Speke area) ) Manchester and Salford ) Docks/Trafford Park )	Merseyside County Council Liverpool City Council Greater Manchester County Council Salford District Council Trafford District Council
West Midlands	Bilston	West Midlands County Council Wolverhampton District Council
South East	An inner London site (possibilities to be considered are Tower Hamlets/Newham parts of the UDC area/South Shoreditch/North Wandsworth	The Greater London Council Tower Hamlets and Newham Borough Council Hackney Borough Council Wandsworth Borough Council
<u>Scotland</u>	A site in the Clyde valley	Clydebank District Council Glasgow District Council Renfrew District Council Strathclyde Regional Council
<u>Wales</u>	Lower Swansea Valley	West Glamorgan County Council Swansea City Council
Northern Ireland	Belfast inner city site	Belfast City Council

## ENTERPRISE ZONES POLICY PROPOSALS

## DRAFT DOCUMENT FOR ISSUE TO LOCAL AUTHORITIES AND OTHER INTERESTS

The Government has announced its intention to legislate for the creation of Enterprise Zones. The purpose of these Zones is to test as an experiment, and on a few sites, how far industrial and commercial activity can be encouraged by the removal of certain fiscal burdens, and by the removal or streamlined administration of certain statutory or administrative controls. Some of the measures to be applied in Enterprise Zones will be discriminatory and will not necessarily be suitable for wider application.

2. The number of Enterprise Zones will be limited to about half a dozen, at least in the first instance, and the area covered by each will not generally be more than 500 acres. The sites will be in areas with problems of economic and physical decay. They will be in different parts of the country, and different types of site will be chosen in order to test the effectiveness of the approach in different circumstances. The establishment of Enterprise Zones will not be part of regional policy. Nor will it have any direct connection with the application of other existing policies such as inner city policy, rural development or derelict land policy. The sites chosen will continue to benefit from whatever aid is available there under these policies.

Establishment of Enterprise Zones

3. The Secretary of State for the Environment (where appropriate, the Secretaries of State for Scotland and Wales) will consult the local authorities concerned with each of the Enterprise Zone sites under consideration, and will determine the boundary of the areas to be designated. He will agree with the appropriate authority the planning proposals and policies for the area, as well as the administrative arrangements for ensuring quick determination of planning and building applications. The Secretary of State would then designate



the area. The designation order would be put before Parliament before coming into force.

Since the aim of setting up an Enterprise Zone is to achieve a significant impact by way of new development, improvement of existing property, or increased economic activity within a reasonable timescale, the Government proposes that the designation orders for Enterprise Zones should run for a period of ten years. Designation will bring into effect the fiscal and other measures listed below.

#### Measures to be applied in Enterprise Zones

4. During the ten year period both new and existing firms within the Enterprise Zone will benefit from the following measures:

- a. exemption from Development Land Tax;
- b. 100% capital allowances (for corporation and income tax purposes) for commercial and industrial buildings;
- c. abolition of general rates on industrial and commercial property. The local authorities concerned will be reimbursed for their net loss of rate income by 100% specific grant from the Exchequer. Similar arrangements will apply in Scotland and Northern Ireland.
- d. simplification of planning procedures. It is proposed that there should be a plan for each Enterprise Zone prepared by the relevant local authority or development corporation and approved, prior to designation, by the Secretary of State. The plan would show which classes of development were permitted in each part of the Enterprise Zone; it would set out any conditions governing development eg those needed for health or safety or for the control of pollution; and it would specify any "reserved matters". Following designation developers would not need to apply for planning permission for developments that conformed to the zoning and conditions in the plan. They might need approval from the local authority or development corporation, for the "reserved matters" but these would relate to details such as access to the highway. Approval for developments that did not conform to the plan, for example

"bad neighbour" developments would require individual application in the normal way.

- e. establishments within Enterprise Zones will be excluded from the scope of Industrial Training Boards (ITBs). This would exempt the establishments concerned not only from the training levy but also from any requirement to furnish information to ITBs.
- f. Applications from firms within Enterprise Zones for "customs warehousing" and "inward processing relief" concessions will be processed as a matter of priority, and the criteria applied to decisions on "private" Customs warehouses in Enterprise Zones will be relaxed.
- g. any remaining requirements for Industrial Development Certificates will be abolished;
- h. the Government will reduce to a bare minimum its requests for statistical information.

In addition to these specific proposals, it is intended that in general simplified procedures and speedier administration of controls over development will be applied to Enterprise Zones. However, there will be no lowering of the standards needed to protect people's health and safety, or to control pollution.

#### Role of local authorities

- 5. In most cases the district authority would be the planning authority responsible for ensuring that conditions are as favourable as possible for development in the Enterprise Zone. But in some areas a development corporation might be given these functions. As a part of the procedure leading to designation the local authority would be asked to enter into an agreement - which would be published - setting out
  - a. the planning proposals for the area - see 4d
  - b. the planning policy which they would adopt in dealing with applications that came to them. This would include applications on reserved matters and on developments that did not conform to the plan (eg "bad neighbour" developments);



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20 MAR 1980

c. the administrative arrangements which they would adopt in order to ensure quick determination of planning applications, and building regulation approvals, and <sup>to facilitate speedy handling of</sup> other approvals needed for the construction or occupation of premises (eg health, safety, fire or pollution control). One way of arranging this would be to nominate an Enterprise Zone development officer with delegated powers to decide all but the most important planning and, in the case of local authorities, building regulation applications. Where the local authority does not have direct responsibility for controls, it would be the job of the development officer to seek to ensure that applications were dealt with by the relevant statutory bodies or officers with minimum delay.

of local  
authorities,

#### Implementation

6. The Government proposes to introduce the rating, and planning provisions by amendment to the Local Government Planning and Land Bill now before Parliament. The designation needed to bring these and other measures into effect will also be introduced in this Bill.

The provisions for capital allowances and relief from Development Land Tax will be included in the 1980 Finance Bill. Legislation to exclude establishments within Enterprise Zones from the scope of Industrial Training Boards will be introduced into the first suitable Bill coming before Parliament.

#### Consultation

7. A limited number of Local Authorities in Great Britain are being consulted directly about the possible sites for Enterprise Zones (see attached list). It is proposed that there should be 3-4 EZs in England and one each in Scotland, Wales and Northern Ireland. It follows that not all the Local Authorities which are being approached initially will in the end be offered the opportunity of an EZ in their area. Sites other than those listed in the annex to this document may also be considered in the course of consultation.

Northern Ireland

8. The benefits accruing to firms in an Enterprise Zone will be extended to Northern Ireland by appropriate legislation, which in the case of capital allowances and relief from Development Land Tax will be by way of the Finance Bill. The Secretary of State for Northern Ireland will enter into consultations with the appropriate authorities there to select an inner city site in Belfast. Thereafter the plan for an Enterprise Zone in Northern Ireland would be prepared by the Department of the Environment for Northern Ireland as the planning authority under the direction and control of the Secretary of State.

9. The Government will welcome comments on its proposals from the Local Authority Associations, and from organisations and individuals with an interest in the subject. This document has therefore been circulated to all those set out in the attached list. In order to minimise the period of uncertainty and possible blight, the Government seeks an early response from the LAs consulted so that a final decision on the sites to be designated may be made in the summer. EZs are expected to come into operation at the end of the year. It would be helpful if comments were sent to the Secretary of State for the Environment, 2 Marsham Street, London SW1P 3EB. Where appropriate comments should be sent to the Secretary of State for Scotland, the Secretary of State for Wales and the Secretary of State for Northern Ireland.



2 APPS  
2 MARSHAM STREET  
LONDON SW1P 3EB

My ref: H/PSO/11449/80

Your ref:

20 March 1980

*De briefing* *M 2/13*  
ENTERPRISE ZONES: CUSTOMS CONCESSIONS

Nigel Broackes, as chairman designate of the UDC, has expressed an interest in proposals for a "Free Port" in London's Docklands. We can be sure that when the Enterprise Zone announcement is made there will be a number of other voices saying that we ought to have included free port provisions.

I understand that the view of Customs and Excise is that new Free Ports - as generally understood - are effectively ruled out by EEC directives which forbid granting customs concessions in one area that are not available elsewhere. However, I understand that their existing concessionary arrangements for Inward Processing Relief, and Customs Warehousing offer some of the advantages associated with Free Port status. I gather that Customs have agreed at official level that it might be possible within existing EEC directives for them, together with the other Departments concerned (Department of Trade, Department of Industry, and MAFF) to undertake that they would use their administrative discretion so as

- a. to give sympathetic and priority treatment to applications from firms within the Enterprise Zone for Customs warehousing and Inward Processing Relief, particularly with a view to minimising administrative delays, and
- b. to consider more favourably applications for "private" Customs warehouses within Enterprise Zones.

I think that if these modest concessions could be announced as one of the Enterprise Zone measures, it would both add to the attractiveness of the package and help us to answer those who will push for full-blooded Free Ports.

I am copying this letter to Keith Joseph, John Nott, Peter Walker, and the other members of E Committee as well as to Sir Kenneth Berrill and Sir Robert Armstrong.

*Yes*  
*M*  
MICHAEL HESELTINE



20 MAR 1980  
B 11 12 1  
B 9 8 7 6 5 4 3 2 1

*Ann Thrope*

2



To note.

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

*R...*  
*12/3*

T Lankester Esq  
Private Secretary to  
the Prime Minister  
No 10 Downing Street

19 March 1980

*Dear Tim,*

*Ann Thrope*  
*R*

ENTERPRISE ZONES

... Since the question of Enterprise Zones arose in the Prime Minister's talk last week with Lord Thorneycroft, you may be interested in seeing the enclosed correspondence.

*Yours,*

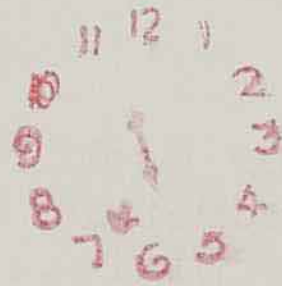
*MAH*

M A HALL  
Private Secretary





19 MAR 1980



Faint, illegible text or markings in the middle section of the page.

cc Mr. Barlow

ns

17



cc: Financial Secretary  
Mr. Ridley

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

14 March, 1980

*Dear Peter*

*no*

I was most sorry that we were unable to meet for more than a fraction of our allotted time on Monday evening. No-one is more concerned than I am about getting the presentation of the Budget right, on which your views are particularly valuable. If there are any points you would like particularly to draw to my attention in the next few days, please don't hesitate to do so. Equally, if it would help you to talk through the Budget themes further, I should be delighted to arrange for you to see Nigel Lawson or Adam Ridley if, as I fear and, as you know at first hand, is all too probable, I cannot find another suitable time in the near future.

You asked us about the proposals for Enterprise Zones, and expressed some anxieties about them. To fill in the background a bit and, I hope, reassure you somewhat, I am enclosing a note which sets out their main features. Since the formal announcement of them is to be made in the Budget, I would be grateful if you could treat the note and the information it contains as strictly for your personal information.

(GEOFFREY HOWE)

The Lord Thorneycroft, PC.

## ENTERPRISE ZONES

The Government intends to set up about half a dozen Enterprise Zones of approximately 500 acres each. The sites will be in areas with problems of economic and physical decay. A<sup>short</sup> list of the sites from which candidates are likely to be chosen is attached. Enterprise Zones will initially be designated for a period of 10 years. During this period both new and existing firms within the Zones will benefit from the following measures:

- a. Exemption from Development Land Tax
  - b. 100% capital allowances (for corporation and income tax purposes) for commercial and industrial buildings
  - c. Abolition of general rates (but not water rates) on industrial and commercial property
  - d. Simplification of planning procedures
  - e. Establishments within Enterprise Zones will be excluded from the scope of Industrial Training Boards (ITBs). This will exempt the establishments concerned not only from the training levy, but also from any requirement to furnish information to ITBs.
  - f. Any remaining requirements for Industrial Development Certificates will be abolished
  - g. The Government will reduce to a bare minimum its requests for statistical information
  - h. Controls over development will be administered as swiftly and simply as possible
2. The purpose of these Zones is to test as an experiment, and on a few sites, how far industrial and commercial activity can be encouraged by the removal of certain fiscal burdens, and by the removal or streamlined administration of certain statutory or administrative controls.

The aim is to stimulate economic development by removing the hand of Government as far as possible. The fiscal concessions should offer a real incentive to the private sector to take on tasks which it was hitherto thought could only be tackled by injections of public money.

## LIST OF SITES AND AUTHORITIES FOR INITIAL CONSULTATIONS

The location and boundaries of Enterprise Zones will be decided after consultation with local authorities and other organisations.

Discussions will initially be concentrated on the following areas within which Enterprise Zones might be located. These represent a first list for consideration. Additional sites may be considered in the light of the development of the discussions and proposals.

England

<u>Region</u>	<u>Area</u>	<u>Local Authorities</u>
Northern	A Tyne and Wear site	( Gateshead District ( Council ( Newcastle City Council ( Tyne and Wear County ( Council and the ( District Authorities
Yorks and Humberside	Attercliffe, Sheffield	Sheffield City Council South Yorkshire County Council
North West	A Merseyside site ) Trafford Park ) Manchester and ) Salford Docks )	Merseyside County Council Liverpool City Council Greater Manchester County Council Trafford District Council Salford District Council
West Midlands	Bilston	Wolverhampton District Council West Midlands County Council
South East	A London site	Local Authorities concerned Those presently represented on Docklands Joint Committee
<u>Scotland</u>	A site on Clydeside	Glasgow District Council Renfrew District Council Strathclyde Regional Council Clydebank District Council
<u>Wales</u>	Lower Swansea Valley	West Glamorgan County Council Swansea City Council
<u>Northern Ireland</u>	Belfast inner city site	

THE CHAIRMAN OF THE PARTY  
The Rt. Hon. The Lord Thorneycroft

PT/SOB

CH/EXCHEQUER	
REC.	17 MAR 1980
ACTION	Min. Sec. /
COPIES TO	M. Ridley /
	FT /
	McGuffin /

CONSERVATIVE & UNIONIST CENTRAL OFFICE,  
32 SMITH SQUARE,  
WESTMINSTER, SW1P 3HH,  
Telephone: 01-222 9000

17th March 1980

Personal & In Confidence

Dear Geoffrey.

Thank you for your letter and accompanying notes on Enterprise Zones. I valued our short discussion and quite understand the pressures. I am myself leaving for the north today so won't see you before the Budget but wish you the very best of luck.

You can count on all the support we can give you from here. As soon as the Budget is over I want to ensure that Adam and others keep in close touch with Alan on presentation from a Party point of view.

With many thanks.

The Chancellor of the Exchequer



2 MARSHAM STREET  
LONDON SW1P 3EB

*Regional Policy*

My ref:

Your ref:

17 March 1980

*In copy*

*R 1817*

Keith Joseph's letter of 10 March makes a point on your letter of 29 February, which I support strongly - as I implied in my minute to the Prime Minister of 6 March.

Many of the sites we are looking at are in a derelict state. We cannot assume that, even with the fiscal concessions proposed, it will be possible to rely on the private sector to carry out all the necessary pre-development work themselves. The costs will often be high; furthermore, it will not necessarily be in the interests of any particular developer to carry out the initial heavy expenditure.

The costs must be a factor when it comes to choosing between possible sites for enterprise zones, but it would be dangerous for us to go forward without acknowledging now that some additional public expenditure is likely to be required. As I said in my previous letter, I could not undertake to find any such additional resources from within my own programmes.

I am copying this letter as before.

*Yes*  
*Michael Heseltine*

MICHAEL HESELTINE

The Rt Hon Sir Geoffrey Howe MP



18 MAR 1960



Regional Post

SWYDDFA GYMREIG  
GWYDYR HOUSE  
WHITEHALL LONDON SW1A 2ER  
Tel. 01-233 3000 (Switsfwrdd)  
01-233 6106 (Llinell Union)



WELSH OFFICE  
GWYDYR HOUSE  
WHITEHALL LONDON SW1A 2ER  
Tel. 01-233 3000 (Switchboard)  
01-2336106 (Direct Line)

*Oddi wrth Ysgrifennydd Gwladol Cymru* The Rt Hon Nicholas Edwards MP *From The Secretary of State for Wales*

CONFIDENTIAL

14 March 1980

*De Geoffroy*

*M143*

ENTERPRISE ZONES

I have seen copies of your letters of 29 February to the Prime Minister, to Michael Heseltine and to Norman St John Stevas. With some small reservations (which I mention below) I would go along with what you propose.

First, let me say I strongly endorse the point which Michael Heseltine makes in his letter of 6 March about the negative value of badly contaminated sites and the need in such cases to inject public funds if redevelopment is to take place. This is a familiar situation in Wales and will almost certainly arise whichever sites are chosen in Wales. So even if we agree to defer an answer now, we shall still have to face up to the need for additional resources in the end.

Second, since the process of designating EZs in Wales will fall to me (and likewise to George Younger in Scotland and Humphrey Atkins in Northern Ireland) I think it is important that I and my officials should be in the lead on consultations in Wales. Thus, I would like to see the final paragraph of the consultative document expanded so as to invite comments to be sent, where appropriate, to the Secretaries of State for Wales, Scotland or Northern Ireland rather than to the Secretary of State for the Environment. And for the same kind of reasons I would want to see a reference (in paragraph 4 of the consultation paper) to my agreeing EZ plans in Wales.

Third, I wonder whether the drafting of the consultation paper makes it sufficiently clear to the local authorities that there is room for full consideration by us of proposals from them for alternative EZ areas.

/It would be

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
Treasury  
Parliament Street  
LONDON SW1P 3HE

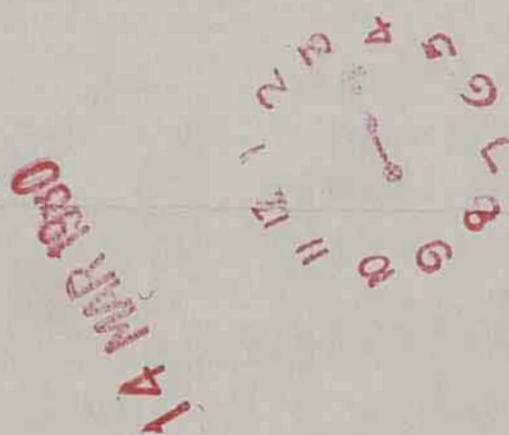


It would be unhelpful if the document were interpreted as imposing, in advance and without consultation, priority areas for treatment. I shall have several claimants - from steel and coal closure areas in Wales - and they must be seen to be given equal and fair consideration.

/ I am copying this letter to the Prime Minister, members of 'E' Committee and to Norman St John Stevas, George Younger, Humphrey Atkins, Sir Kenneth Berrill and Sir Robert Armstrong.

*J. E. S.*

*W. E. S.*





CONFIDENTIAL

*From the Secretary of State*

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
Whitehall  
SW1

13 March 1980

*Dear Geoffrey,*

ENTERPRISE ZONES

Thank you for sending me a copy of your minute (with attachment) of 29 February to the Prime Minister about Enterprise Zones.

I must take advantage of my position to lodge a minor protest at the exclusion of any site in the South West as a potential site for an Enterprise Zone. In no way do I think the choice of site should be based on political grounds but when the highest rate of unemployment in the United Kingdom is concentrated on a particular area which is also suitable for the development of an EZ it will be impossible to explain its exclusion. I realise that the South West (or at any rate that part of the South West to the west of Bristol) has never been regarded as a potential industrial area by the Department of Industry and other Departments, but the purpose of the EZ concept as I understand it is not to isolate manufacturing industry from commerce, services, retailing and distribution. There are tremendous growth opportunities in all these fields quite apart from manufacturing, and it is in these areas that the South West would provide an ideal choice for an experimental site. Obviously Avonmouth is an unsuitable site - but it could hardly be described as being in the South West.



*From the Secretary of State*

I would like to draw your officials' attention to Parliamentary Answer on Thursday 6 March (Hansard Col 265) which indicates that the only part of the United Kingdom which has three times the national average rate of unemployment is in fact the West Cornwall area. It really is an impossible situation when Whitehall continues to ignore the grave problems of that area and its potential attractions for an EZ when drawing up the first general and reserve lists. Perhaps this could be looked into as a matter of urgency because it would be gravely embarrassing for the Conservative Party, which is after all in a dominant position in the South West, if the list were to get out in its present form.

I am sure that you are right in proposing 100% capital allowances and, for the reasons you offer, complete derating; and that these levels should apply to both manufacturing and commercial premises. Service industries have as much to contribute to the aims of EZs as manufacturing industry and, in the context of this experiment at least, we should not discriminate against them.

On compensation for local authorities, I am inclined to agree that this should be paid from an additional Exchequer grant. The co-operation and goodwill of the local authorities will be essential in the siting and ultimate performance of EZs.

On sites, I have noted that you propose, in the draft consultation document, simply to refer to "a Merseyside site". I am sure this is right. As you know, the proposed site at Speke includes a large portion of land at present occupied by Liverpool airport. I would have no objection to the development of an EZ at Speke if this resulted in better utilisation of the airport - which is a major point of controversy in the area. I would not favour increasing

CONFIDENTIAL

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*From the Secretary of State*

its capacity, since this would be contrary to our airports policy. My understanding, however, is that if this land is to be released for the Enterprise Zone considerable capital investment, of up to £21m, might be required in order to move terminal and other facilities closer to the remaining main runway. I see little prospect of this Department being able to sanction key sector borrowing for such expenditure at an airport which already has one of the largest operating deficits (and debt burdens) in the country. Unless, therefore, resources can be found from some other sources for such expenditure it would clearly be a sensible precaution not to arouse expectations which, on closer examination, we cannot fulfil.

I have no comments on the other matters you raise.

I am copying this letter to recipients of your minute.

*Yours ever  
John*

JOHN NOTE



173 MAR 1940



NORTHERN IRELAND OFFICE  
GREAT GEORGE STREET,  
LONDON SW1P 3AJ

SECRETARY OF STATE  
FOR  
NORTHERN IRELAND

Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
London SW1P 3AG

12 March 1980

*Dear Geoffrey,*

#### ENTERPRISE ZONES

I have seen your letter of 29 February to the Prime Minister on Enterprise Zones. The details of the measures proposed and the attached draft policy document for issue to Local Authorities are all generally acceptable to us in Northern Ireland.

On the legislative front the fiscal provisions would be covered by the 1980 Finance Bill and we are urgently considering the possibility of following the United Kingdom lead and including the non-fiscal measures in our parallel Northern Ireland Local Government Planning and Land Order. Our problems in relation to exemption from Industrial Training Board levy are similar to those in Great Britain and we are still exploring the best way to handle this.

For the purposes of the consultative document it might be tidier to have a separate paragraph at the end, Annex A, in such terms as the following:-

#### "Northern Ireland"

The benefits accruing to firms in an Enterprise Zone will be extended to Northern Ireland by appropriate legislation, which in the case of capital allowances and relief from Development Land Tax will be by way of the Finance Bill.

The Secretary of State for Northern Ireland will enter into consultations with the appropriate authorities there to select for designation as Enterprise Zone an inner city site in Belfast.

Thereafter the plan for an Enterprise Zone in Northern Ireland would be prepared by the Department of the Environment for Northern Ireland as the planning authority under the direction and control of the Secretary of State."

Paragraph 7 of the consultative document should be amended (and also the annexed list) to show the appropriate Northern Ireland Local Authority as Belfast City Council. We will also need to make a number of minor textual amendments to the document prior to issue to distinguish between the mainland and ourselves.

I am copying this letter to the recipients of your minute.

*Yours ever*

*William P. ...*





12 MAR 1950





2873 *Alfred King*

SCOTTISH OFFICE

WHITEHALL, LONDON SW1A 2AU

The Rt Hon Geoffrey Howe MP  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
LONDON  
SW1P 3AG

// March 1980

*Dear Geoffrey,*

*R 11/3*

ENTERPRISE ZONES

Your minute of 29 February to the Prime Minister invited comments on the Enterprise Zone proposals as they now stand and on the draft policy document which it is proposed to issue to local authorities and other interested bodies.

At this stage, there are only a couple of detailed points that I need raise. As I indicated in my letter of 12 February, I think that if we list a single Scottish site in the policy document, then this would give the impression that the consultation process is a mere formality. For this reason, I would prefer the formulation 'a site on Clydeside' as in your present draft (though I would put Clydebank District Council at the top of the list of authorities to be consulted). My second point is on the mechanics of designation and consultation, where I would want to be responsible in Scotland. I imagine that Nicholas Edwards and Humphrey Atkins may take a similar view; and paragraphs 3 and 8 of the policy document might be extended to cover this.

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

*Yours truly,*

*George Younger*

GEORGE YOUNGER



11 MAR 1980



Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
Treasury  
Great George Street  
LONDON SW1P 3AG

11 March 1980

*See Geoffrey*

124/3

ENTERPRISE ZONES

You asked for comments on the proposals in your minute to the Prime Minister of 29 February.

The point in this of direct concern to me is the exemption of establishments in Enterprise Zones from the scope of Industrial Training Boards. I must say that I think it would have been much the best arrangement to include legislative provision for this in one of the two Bills this Session dealing with the other arrangements for Enterprise Zones. However, as this appears to be impossible I will consider including this point in the Bill on industrial training which I shall be proposing for the next Session. We cannot make any specific public commitment on this at this stage, as the possible need for legislation is still with the MSC review body; nor of course could such legislation have retrospective effects. I think the sentence in square brackets at the end of paragraph 6 of the draft policy document attached to your minute, which leaves the question of timing and the legislative vehicle open, strikes the right note and should be included.

I would wish to send copies of the draft policy document to the Manpower Services Commission for them and Industrial Training Boards to consider at the same time as copies go to local authorities.

On the question of a site in Tyne and Wear, I think that the Scotswood Road/Derwenthaugh/Newburnhaugh site may have been dismissed too readily. I gather that the objection to it was based on the costs of development. But in fact large sums, amounting to perhaps £6 million, have already been spent on it, or committed to it, from both central government and local authority programmes. It would be a great pity, to say the least, if we failed to capitalise on this investment. The site certainly satisfies the qualification of an area



"with problems of economic and physical decay". It is readily accessible - not least to those from south of the river who normally commute to BSC's Consett plant. And it has been subjected lately to major redundancies in addition to Consett. Not only have Vickers closed their Scotswood works, for example, with a loss of 730 jobs, but the same firm's Elswick plant is also threatened by the loss of the Ministry of Defence contract for 77 Chieftain tanks. The area probably suffers more from deprivation than any other site in the whole of the Newcastle-Gateshead inner city.

In any case, there seems to be no defensible alternative in Tyne and Wear, if Boldon must really be ruled out. It would be difficult to justify any location in Sunderland, because of the proximity of Washington New Town, or North Tyneside because of the relatively minor extent of economic and physical decay there. The Hebburn Shore/Jarrow Slate/Tyne Dock strip has little suitable land that is not reserved for port-related use, and has a heavily built-up hinterland. So has the Walker-Wallsend area, and the latter's nearest industrial site, the Tyne Tunnel Industrial Estate, is "greenfield" and so does not meet your criterion.

Both because of its positive claims, therefore, and because there seems no defensible alternative, I think that the Scotswood site should be re-admitted to your list of candidates. It would be greatly preferable to have specific candidate to propose to the local interests, rather than to canvass proposals from scratch.

I am copying this letter to the Prime Minister and all member of E Committee, and to George Younger, Nicholas Edwards, Humphrey Atkins, Norman St John Stevas, Sir Roberts Armstrong and Sir Kenneth Berrill.

*Y  
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L*

11 MAR 1980

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CONFIDENTIAL

*Reginald  
P. Gray*



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*bc ME HOSKYN*

jfh

10 DOWNING STREET

*From the Private Secretary*

10 March 1980

Enterprise Zones

The Prime Minister has now considered the Chancellor's minute of 29 February on the above subject. She has also read the minute of 6 March from the Secretary of State for the Environment and the letter of 28 February from the Chancellor of the Duchy.

The Prime Minister has asked me to say that she is delighted with the Chancellor's proposals and, subject to the points in Mr. Heseltine's minute and Mr. St. John Stevas' letter, she is quite content with them.

The Prime Minister mentioned these proposals to Lord Thorneycroft over the weekend: he had not heard about them, and did not seem very favourable towards them. The Prime Minister has suggested that the Chancellor should go over the proposals with Lord Thorneycroft as soon as possible. You told me that they were meeting this afternoon, and the Chancellor would take the opportunity of doing so.

I am sending copies of this letter to the Private Secretaries to members of E Committee, to Godfrey Robson (Scottish Office), George Craig (Welsh Office), Roy Harrington (Northern Ireland Office), John Stevens (Chancellor of the Duchy of Lancaster's Office), Gerry Spence (Sir Kenneth Berrill's Office) and David Wright (Cabinet Office)..

T. P. LANKESTER

M.A. Hall, Esq., MVO,  
HM Treasury.

CONFIDENTIAL



DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB  
TELEPHONE DIRECT LINE 01-212 3301  
SWITCHBOARD 01-212 7676

Secretary of State for Industry

10 March 1980

Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
London SW1P 3AG

*MBM*  
*10/3*

*Dear Geoffrey,*

ENTERPRISE ZONES

Thank you for sending me a copy of your minute of 29 February to the Prime Minister reporting on the outcome of the further work requested by 'E' Committee on our policy for enterprise zones.

I have no objections to the package of measures which you propose, nor to the suggestion of an announcement in the context of the Budget. I very much welcome the set of planning proposals which you and Michael Heseltine have drawn up. This is in my view a particularly significant part of the package.

You will have seen my letter of 13 February to Michael about sites. He did not share my reservations about South Shoreditch but I will not press the point if, as you propose, the London candidates are not to be named in the policy document. I accept your view that we should expect the developers to bear, as far as possible, the costs of site preparation but I think we must recognise that their willingness to do so will vary from site to site, according to the sums involved and the strength of local demand for premises.

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

*Conan,*  
*/Kerr*



110 MAR 1980





Prime Minister

## ENTERPRISE ZONES

I was very glad to see Geoffrey Howe's minute of 29 February. I support his proposals.

This seems  
better.  
P.

On the choice of sites my only substantive point is that I would prefer the number of sites for England to be expressed as 3 or 4 rather than 2 or 3 as Geoffrey proposes. We shall need a little elbow room to get a reasonable geographical spread. There is a dilemma in areas of low demand such as Tyneside where the private sector is unlikely to be able to afford much of the extensive site preparation works needed to develop urban or derelict sites. I accept, regretfully, that we cannot be more specific about a location on Tyneside at this stage, but we will have to use the consultation period to determine which site would be most attractive to the private sector and with least burden on public funds.

I would be happy to take on the non-fiscal provisions - except those on the training levy - in the Local Government Bill. But I take the point in Norman St John Stevas's letters of 12 and 28 February that it would be prudent for Parliamentary Counsel to be given an opportunity to consult the House authorities before an announcement is made. I need to get a little further with drafting instructions before we can be



absolutely certain about this. We are considering the best way of providing for a relaxed planning regime that would be attractive to developers while minimising the need for complex legislation.

I agree with Geoffrey that land reclamation should where possible be a private sector responsibility. However I strike a note of caution. I shall need to look at this site by site and where past dereliction has created a negative value I may need to lead the private sector with public money. If I don't the continuing dereliction will remain a conspicuous advertisement against our intentions.

I hope that we can issue the consultation document immediately after Geoffrey's announcement so that we can get on with consulting the relevant local authorities. I have one or two detailed points on the document which I am sure Geoffrey and I can agree between us.

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.

*MH*

M H

6 March 1980



*Regional PA*

2 MARSHAM STREET  
LONDON SW1P 3EB

My ref:

Your ref:

6 March 1980

*R.*

*Le Boffey*

ENTERPRISE ZONES

Thank you for your letter of 29 February. I enclose a copy of my minute to the Prime Minister welcoming your proposals and responding to Norman's letter to me of 28 February.

I accept the changes that you have made to the announced list of sites, but I do hope you can agree that reference should be made to three or four rather than two or three sites in England. We will be in a better position to make a selection when we have talked to the local authorities and to private experts.

I think we must set on one side for the moment the question of a further attraction of public resources. I think we both agree that land release is crucial for inner city revival. I am now moving to a position where I propose to colleagues that in some 20 or so cities I am going to examine site by site all publicly-owned sites over 1 acre in size. *underused*

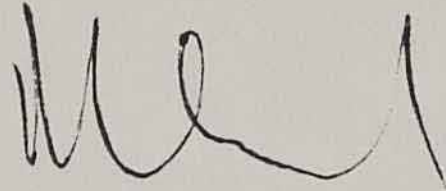
As you say, in some I shall be able to secure release voluntarily, in others the existing owners will move more quickly to development and in a third group colleagues can authorise me to direct disposal on the market.

A further group of sites badly contaminated and with a negative market value will remain. It's no use putting them up for sale. No-one will buy because the cost of reclamation exceeds any economic value of the resulting site. But for a range of reasons that lie at the centre of the environmental purpose of my Department, I cannot just ignore this situation. I will have to decide what resources I can find for my derelict land programme from within my budget. If the problem is bigger than I can cope with I shall have to come back to colleagues.

Obviously, in deciding whether or not to reclaim a site, I will have in mind not just the economic value of the resulting site but also the fact that it will be, by its location in the city, already surrounded by services which have to be provided by the public sector in support of green field sites.

I am copying this letter to colleagues on E Committee, to George Younger, Nicholas Edwards, Humphrey Atkins, Sir Kenneth Berrill and Sir Robert Armstrong.

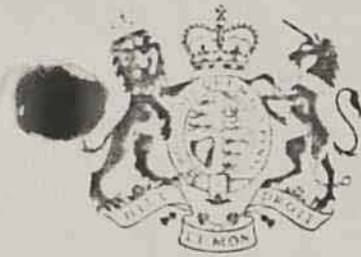
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MICHAEL HESELTINE

-6 March 1960





Chancellor of the Duchy of Lancaster

2983

PRIVY COUNCIL OFFICE  
WHITEHALL, LONDON SW1A 2AT

6 March 1980

*Geoffrey Howe*

LEGISLATION FOR ENTERPRISE ZONES

Thank you for your letter of ~~29~~ February, and for sending me a copy of your minute of the same date to the Prime Minister.

You will by now have received a copy of my letter of 28 February to the Environment Secretary. Subject to the two points made in that letter about the preparation of the draft clauses, I have no objection to what you have in mind for the necessary legislative provisions, and would not want to press for the designation provisions themselves to go in the Finance Bill.

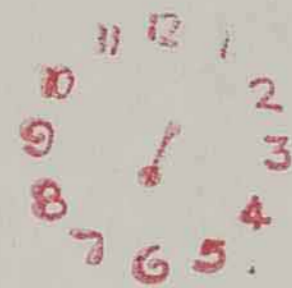
More generally, my only comment on the policy of what you have in mind is that I welcome it.

I am copying this letter to the Prime Minister and the other recipients of yours.

*26 Feb*  
*Geoffrey Howe*

The Rt Hon Geoffrey Howe QC MP  
Chancellor of the Exchequer  
HM Treasury  
Whitehall

L-7 MAR 1980







Key P.D.

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

21 February, 1980

*Dear Norman*

*H.*

LEGISLATION FOR THE ESTABLISHMENT OF  
ENTERPRISE ZONES

Thank you for your helpful letter of 12th February.

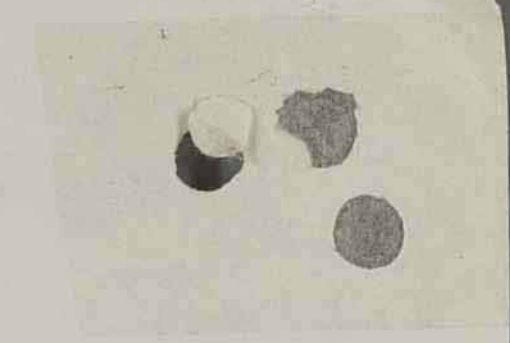
I am glad that you see no insuperable obstacles to introducing the necessary legislation for the establishment of enterprise zones this session. I take your point about courting trouble by introducing legislation in this area at the Committee or Report stage of the Local Government Bill. I should be very happy to take up your suggestion that I make an initial announcement of the Government's intentions in this area to Parliament in my Budget speech. This would enable the general discussion on enterprise zones to take place on the floor of the House in the debate on the Budget speech.

It does not seem to me to follow that, in order to do this, I would need to include the designation powers for enterprise zones in the Finance Bill. I note that Michael Heseltine shares my view, and is unhappy at the thought of separating the designation procedure provisions from the planning procedure provisions. I agree with him that it would be preferable to keep these provisions together in the Local Government Bill. The Budget speech would still be an appropriate occasion for the announcement in view of the Finance Bill clauses on the specific fiscal changes.

I am copying this letter to the Prime Minister, to members of E and L Committees, and to Sir Robert Armstrong.

*[Signature]*  
(GEOFFREY HOWE)

The Rt. Hon. Norman St. John Stevas, MP



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Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

29 February, 1980

*Michael Heseltine*

*RL*

ENTERPRISE ZONES

Thank you for your letter of 26th February about sites for Enterprise Zones.

While I agree broadly with all the points you make about sites, you will see from my minute of today's date to the Prime Minister that I have made some amendments to the annex which you proposed should be attached to the draft policy document.

I did not think it right to name the Derwent Haugh/ Scotswood Road site, given the likely expense of getting it off the ground. As I indicated to the Prime Minister and colleagues, we have not yet identified a suitable site in Tyne and Wear. I am sure it is important for presentational reasons to show that we are considering a site in this area in the first list; but I suggest that we avoid naming a specific site at this stage.

I also think there are presentational disadvantages in including two Liverpool and three London sites in the list annexed in the public policy document. I have therefore simply referred in that to "a London site" and "a Merseyside site". I see advantage in consulting simultaneously on a possible London UDC site, South Shoreditch and North Wandsworth; as well as on Speke and on a Merseyside UDC site. I have therefore included all of them in the first list, because of the likelihood that we will run into problems with one or more of them.

I note your reference to the cost of site development. I fully agree that we need to take this into account in making our final choice. This is another point I made in

/my minute

The Rt. Hon. Michael Heseltine, MP



my minute to the Prime Minister. I would not however at this stage agree with your general proposition that a new allocation of public resources will be necessary to fund this new policy. We should expect the private sector to respond to the fiscal concessions in Enterprise Zones by undertaking much if not all of the necessary pre-development work themselves. Enterprise Zones are after all about less State intervention, not more.

I am copying this letter to colleagues in E Committee; to George Younger, Nicholas Edwards, Humphrey Atkins, Sir Kenneth Berrill and Sir Robert Armstrong.

A handwritten signature in black ink, appearing to read "Geoffrey Howe", with a long horizontal stroke extending to the right.

(GEOFFREY HOWE)

3 - MAR 1950



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  
01-233 3000

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

.....

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

CONFIDENTIAL



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

## CONFIDENTIAL

## ENTERPRISE ZONES POLICY PROPOSALS

DRAFT DOCUMENT FOR ISSUE TO LOCAL AUTHORITIES AND  
OTHER INTERESTS

The Government has announced its intention to legislate for the creation of Enterprise Zones. The purpose of these Zones is to test as an experiment, and on a few sites, how far industrial and commercial activity can be encouraged by the removal of certain fiscal burdens, and by the removal or streamlined administration of certain statutory or administrative controls. Some of the measures to be applied in Enterprise Zones will be discriminatory and will not necessarily be suitable for wider application.

2. The number of Enterprise Zones will be limited to about half a dozen, at least in the first instance, and the area covered by each will not generally be more than 500 acres. The sites will be in areas with problems of economic and physical decay. They will be in different parts of the country, and different types of site will be chosen in order to test the effectiveness of the approach in different circumstances. The establishment of Enterprise Zones will not be part of regional policy. Nor will it have any direct connection with the application of other existing policies such as inner city policy, rural development or derelict land policy. The sites chosen will continue to benefit from whatever aid is available there under these policies.

Establishment of Enterprise Zones.

3. The Secretary of State for the Environment will seek the

agreement of the county and district authorities concerned, and draw up a draft Designation Order delineating the area proposed for an EZ. The order will require Parliamentary approval before coming into force. Since the aim of setting up an Enterprise Zone is to achieve a significant impact by way of new development, improvement of existing property, or increased economic activity within a reasonable timescale, the Government proposes that the Designation Orders for Enterprise Zones should run for a period of 10 years.

Measures to be applied in Enterprise Zones

4. During the 10 year period both new and existing firms within the Enterprise Zone will benefit from the following measures :
  - a. exemption from Development Land Tax;
  - b. 100% capital allowances (for corporation tax purposes) for commercial and industrial buildings.
  - c. abolition of general rates (but not water rates) on industrial and commercial property. The local authorities concerned will be reimbursed for their net loss of rate income by 100% specific grant from the Exchequer. Similar arrangements will apply in Scotland and Northern Ireland.
  - d. simplification of planning procedures. It is proposed that there should be a plan for each Enterprise

Zone giving proposed <sup>areas</sup> ~~zones~~ (specifying the permitted classes of industrial, commercial and residential development and use), the proposed position of roads and other main services, and setting out any basic conditions governing development, eg those needed for pollution control. The plan would be prepared by the local authority or development corporation, but would need to be agreed by the Secretary of State for the Environment;

e. establishments within Enterprise Zones will be excluded from the scope of Industrial Training Boards (ITBs). This would exempt the establishments concerned not only from the training levy but also from any requirement to furnish information to ITBs.

f. any remaining requirement <sup>for</sup> Industrial Development Certificates will be abolished;

g. the Government will reduce to a bare minimum its requests for statistical information.

In addition to these specific proposals, it is intended that simplified procedures and speedier administration of controls over development will be applied to Enterprise Zones. However, there will be no lowering of the standards needed to protect people's health and safety, or to control pollution.

#### Role of local authorities

5. In most cases the district authority will be the planning

authority responsible for ensuring that conditions are as favourable as possible for development in the Enterprise Zone. But in some cases a development corporation might be given those functions. The local authority or corporation concerned will need to organise themselves so as to be able to deal quickly with every aspect of development. This might be done by the designation of a development officer, who would be given delegated powers to decide - subject to essential consultations - both building regulation approvals and all except major planning applications. On the other aspects of development which require specific permissions, particularly those concerning fire, safety, health and pollution, it would be the job of the development officer to ensure that the applications were dealt with by the relevant statutory bodies or officers sympathetically and with the minimum of delay.

#### Implementation

6. The Government proposes to take powers to designate Enterprise Zones by addition to the Local Government, Planning and Land Bill now before Parliament. The de-rating provisions and the new provisions for Development Orders in Enterprise Zones will also be added to this Bill. The provisions for capital allowances and relief from Development Land Tax will be included in the 1980 Finance Bill. [ Legislation to exclude establishments within Enterprise Zones from the scope of Industrial Training Boards will be introduced into the first suitable Bill coming before Parliament.]



Consultation

7. A limited number of Local Authorities in Great Britain are being consulted directly about the possible sites for Enterprise Zones, and so is the equivalent authority in Northern Ireland (see annexed list)

It is proposed that there should be 2-3 EZs in England and one each in Scotland, Wales and Northern Ireland. It follows that not all the Local Authorities which are being approached initially will in the end be offered the opportunity of an EZ in their area. Sites other than those listed in the annex to this document may also be considered in the course of consultation.

8. The Government will welcome comments on its proposals from the Local Authority Associations, and from organisations and individuals with an interest in the subject. This document has therefore been circulated to those set out in the attached list. It would be helpful if comments were sent to the Secretary of State for the Environment, 2 Marsham Street, London SW1P 3EB.

*Mr Heathcote  
proposes*

*3-4*

*R.*

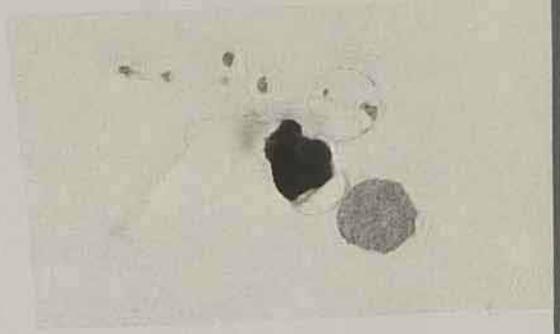
## LIST OF SITES AND AUTHORITIES FOR INITIAL CONSULTATIONS

The location and boundaries of Enterprise Zones will be decided after consultation with local authorities and other organisations.

Discussions will initially be concentrated on the following areas within which Enterprise Zones might be located. These represent a first list for consideration. Other sites may be considered in the light of the development of the discussions and proposals.

England

<u>Region</u>	<u>Area</u>	<u>Local Authorities</u>
Northern	A Tyne and Wear site	( Gateshead District ( Council ( Newcastle City Council ( Tyne and Wear County ( Council and the ( District Authorities
Yorks and Humberside	Attercliffe, Sheffield	Sheffield City Council South Yorkshire County Council
North West	A Merseyside site ) Trafford Park ) Manchester and ) Salford Docks )	Merseyside County Council Liverpool City Council Greater Manchester County Council Trafford District Council Salford District Council
West Midlands	Bilston	Wolverhampton District Council West Midlands County Council
South East	A. London site	Local Authorities concerned Those presently represented on Docklands Joint Committee
<u>Scotland</u>	A site on Clydeside	Glasgow District Council Renfrew District Council Strathclyde Regional Council Clydebank District Council
<u>Wales</u>	Lower Swansea Valley	West Glamorgan County Council Swansea City Council
<u>Northern Ireland</u>	Belfast inner city site	



3 - 1980



Reg. Policy 8



PRIVY COUNCIL OFFICE

WHITEHALL, LONDON SW1A 2AT

Chancellor of the Duchy of Lancaster

28 February 1980

*Dear Michael,*

*Mitch*  
*NBA*

*Page 2*

## LEGISLATION FOR ENTERPRISE ZONES

Thank you for copying to me your letter of 22 February to the Chancellor of the Exchequer about Enterprise Zones.

I am glad that there seems a reasonable prospect of fitting most of the necessary provisions into the Finance and Local Government Bills. I gather there are technical rules about linking the provisions in two bills that are before Parliament at the same time. When the draft clauses are available, therefore, we shall need advice from Parliamentary Counsel and the House authorities on whether the provisions could proceed independently or whether the timetable for introducing the clauses into the bills has to be co-ordinated.

As regards the announcement, I would not want to raise any objection to your making an announcement before the Budget statement if this seems best. I would however, like to reiterate the point that we must ensure that the necessary provisions can be accommodated in the Local Government Bill before an announcement about them is made. We cannot, it would seem, promise legislation altering the industrial training levy this session. If we should run into scope difficulties with any of the other provisions we obviously need to know about them before the announcement is made since they could affect precisely what is said.

I should be grateful, therefore, if you would continue to keep me informed of developments. I am copying this letter to the Prime Minister, the Home Secretary, the Chancellor of the Exchequer, the Chief Whip and to other members of E and L Committees. Copies also go to First Parliamentary Counsel and to Sir Robert Armstrong.

*Anthony R.*

The Rt Hon Michael Heseltine MP  
Secretary of State for the Environment  
2 Marsham Street  
London  
SW1



25



*Reginald Paul*

2 MARSHAM STREET  
LONDON SW1P 3EB

My ref:

Your ref:

26 February 1980

*mm*

*R 28/2*

*See copy*

I have seen Jim Prior's letter to you of 12 February and Keith Joseph's letter of 13 February. Since my letter of 25 January, we have appointed Chairmen for the two UDCs for London and Merseyside and we can now see the way ahead more clearly. It seems to me that it might well be possible for Enterprise Zones to be situated within the UDC areas. Both Chairmen-designate certainly are interested in the idea. I would therefore like our announcement to mention the UDCs as areas within which we are considering possible EZs.

I have already written to Peter Walker agreeing to his point on Boldon. We should leave it out of our list of possible sites when we come to the initial statement on the Enterprise Zone proposals.

The choice of a site or sites in London poses special problems. That is why I think we should consider the UDC area. South Shoreditch however does offer the opportunity to test the Enterprise Zone concept in an area with many existing small firms and an opportunity for rehabilitation of existing properties. I think the area may offer a very good test of the effectiveness of the measures we have in mind. We could certainly look at North Wandsworth as well but I gather there may be difficulty there in getting sufficient land released. Given that the risks of speculation are greater in London, I think we should hedge our bets about a possible site in any announcement.

There seems little enthusiasm for a site at Avonmouth, and I think we might drop the idea.

Our information here is that there is considerably more land available for development at Bilston than the Department of Employment Regional Director suggests. I am told that the future of the rolling mill, which is within the possible EZ area, is to be reviewed this Spring. Neither of the two alternatives in the West Midlands suggested by Department of Employment is likely to provide as much land but I quite accept that we might have to come back to the Saltley Nechelles proposal after discussion with the local authorities. However at this stage I would prefer to see Bilston alone on the announced list.

Doncaster is not on the list which I proposed should be announced. The point about possible conflict with proposals for Scunthorpe is a powerful one.

To try to pull the recent exchanges on possible EZ sites together, I have tried in the Annex to this letter to set out the way we might deal with the location of sites in the initial statement. I drew attention in my letter of 25 January on this subject to the need to do more work on the cost of site development in making our final choice; and to the need to accept that a new allocation of resources would be required to fund this new policy.

I am copying this letter to colleagues on E Committee, to the Secretaries of State for Scotland, Wales and Northern Ireland and to Sir Kenneth Berrill and to Sir Robert Armstrong.

*Yours ever*



MICHAEL HESELTINE

POSSIBLE SITES FOR ENTERPRISE ZONES

The location and boundaries of Enterprise Zones will be decided after consultation with local authorities and other organisations.

In England, discussions will initially be concentrated on the following areas within which Enterprise Zones might be located. [Insert appropriate reference to Scotland, Wales and Northern Ireland]. These represent a first list for consideration. Other sites may be considered in the light of the development of the discussions and proposals.

England

<u>Region</u>	<u>Area</u>	<u>Local authorities</u>
Northern	Derwent Haugh/Scotswood Road/ Newburn/Haugh	Gateshead District Council Newcastle City Council Tyne & Wear County Council
Yorks and Humberside	Attercliffe, Sheffield	Sheffield City Council South Yorkshire County Council
North West	(i) Speke (ii) Merseyside Docks UDC area (iii) Trafford Park/Manchester and Salford Docks	Liverpool City Council Merseyside County Council
West Midlands	Bilston	Wolverhampton District Council West Midlands County Council
South East	(i) South Shoreditch, Hackney  (ii) North Wandsworth  (iii) London Docklands UDC area	Hackney Borough Council Greater London Council  Wandsworth Borough Council Greater London Council  Those presently represented on Docklands Joint Committee



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27 FEB 1980



*Regional Policy*  
2 MARSHAM STREET  
LONDON SW1P 3EB

My ref: H/PSO/11174/80

Your ref:

22 February 1980

*John Gifford*

*R  
W*

### LEGISLATION FOR ENTERPRISE ZONES

Thank you for your letter of 8 February. I have also seen Norman St John Stevas' very helpful response of 12 February.

I entirely agree that we need to make progress on the enterprise zone proposals as quickly as possible. There are still some policy issues to be decided - mainly those set out in my two letters of 25 January. I mentioned the questions of 100% remission of rates, the funding of the specific grant needed to compensate local authorities for loss of rate income, and the time limit of fiscal concessions. I also made suggestions for a short list of sites. I shall be writing separately about this shortly and one of the points I shall be making is the desirability of including my UDC areas in the enterprise zone concept. I know that you share my concern that we should resolve these issues urgently so that drafting can begin. If they cannot be resolved quickly in correspondence you may feel that a meeting is needed to tie together the loose strands and settle the policy document on which discussions with local authorities and interested parties are to be based.

I would be content to introduce the necessary non-fiscal enterprise zone provisions into the Local Government Bill. However, the training levy exemptions would be beyond the scope of my Bill so if they cannot be fitted in elsewhere it may be that they will have to await an appropriate legislative vehicle.

I would also fall in with Norman's suggestion that Parliamentary consideration of the policy for EZs might take place as a part of the debate on the Budget. He suggests that the announcement should be made there too. Especially in view of well-informed newspaper stories in the last few days, there may be a case for making an announcement much sooner than that - in a Statement to Parliament or a PQ. This would enable consultation to begin. But this need not, I think, necessitate putting the designation provisions in the Finance Bill. There could be difficulties in separating the designation procedure provisions from the planning procedure provisions and it may be preferable to keep them together in the Local Government Bill. We would aim to table the necessary amendments at the same time as the Finance Bill is introduced so that the two could move

along side by side. This should mean that the drafting would be largely completed by the time the Finance Bill is introduced, and would meet Norman's point that Counsel should be able to consider the detailed instructions and consult the House authorities on the Local Government Bill provisions before the announcement is made.

I am copying this letter to the Prime Minister, the Home Secretary, the Chancellor of the Duchy, the Chief Whip, and other members of E and L Committees. A copy also goes to Sir Robert Armstrong.

yes  
lll

MICHAEL HESELTINE





MINISTRY OF AGRICULTURE, FISHERIES AND FOOD  
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

Rt Hon Michael Heseltine MP  
Department of the Environment  
2 Marsham Street  
London SW1

TL

2/2

21 February 1980

*Michael Heseltine*

ENTERPRISE ZONES - CHOICE OF SITES IN ENGLAND

I was very pleased to read in your letter to the Chancellor that you agree it is better not to have an Enterprise Zone on existing agricultural land, and have decided not to include the Boldon proposal in your announcement. This is welcome news.

If you could extend your announcement by making your decision about the non-use of agricultural land for this purpose into a statement of policy it would be even more acceptable and a decided step forward in our efforts to reduce the amount of agricultural land going to development. It would also provide Tom King and Jerry Wiggin with useful ammunition with which to answer the criticisms of our back-benchers who are genuinely worried about these losses.

I am copying this letter to colleagues on E Committee, the Secretaries of State for Scotland, Wales and Northern Ireland, and to Sir Kenneth Berrill and Sir Robert Armstrong.

*Peter Walker*

PETER WALKER



211 FEB 1980

*Regional Post*

Y SWYDDFA GYMREIG  
GWYDYR HOUSE  
WHITEHALL LONDON SW1A 2ER  
Tel. 01-233 3000 (Switsfwrdd)  
01-233 6106 (Llinell Union)



WELSH OFFICE  
GWYDYR HOUSE  
WHITEHALL LONDON SW1A 2ER  
Tel. 01-233 3000 (Switchboard)  
01-233 6106 (Direct Line)

*Oddi wrth Ysgrifennydd Gwladol Cymru*

The Rt Hon Nicholas Edwards MP

*From The Secretary of State for Wales*

CONFIDENTIAL

20 February 1980

*Re: [unclear]*

*Don Geffney*

ENTERPRISE ZONES

The recent correspondence on enterprise zones starting with Michael Heseltine's letters of 25 January raises a number of points on which I should comment.

We were invited by 'E' Committee to look again at the sites for enterprise zones and to ensure that those chosen had reasonable prospects of revival while still meeting the requirement that they should have suffered from economic or physical decay. My officials have re-examined the sites selected in Wales - Lower Swansea Valley (which carried first priority) and Briton Ferry, Neath. I believe that these fulfill the criteria discussed by 'E' Committee and are in line with the sites coming forward for consideration in England and Scotland. I do not therefore wish to make any changes though I will want to keep the choice under review in the light both of the response to the announcement from local authorities in South Wales and of decisions on assisted area status which will have to be taken in the near future. I had some misgivings about naming the sites under consideration in the announcement. But both the sites in Wales have now been identified in Press articles and I think we shall need to refer to both in the consultation document, while making it clear that only one will be selected.

/In his letter

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
Treasury  
Parliament Street  
LONDON SW1P 3HE



In his letter of 25 January concerning sites, Michael Heseltine suggested the possibility of designating a site at Avonmouth. Apart from the fact that the size, 1,000 acres, considerably exceeds the guideline laid down and that the site is open to possible objection on the grounds that it is greenfield, such a designation could adversely affect the chances of attracting new industry in South Wales generally and, at a time when I am faced with real problems on likely steel and coal closures would as Keith Joseph says in his letter of 13 February, cause justifiable criticism there. I hope that this suggestion need not be pursued.

On the other hand, and this is relevant to your letter of 14 February to George Younger, I support Michael's proposals for a rating concession in Enterprise Zones - namely 100 per cent rating relief for a period of ten years with reimbursement to the local authorities concerned for the loss of rate income by means of a special grant over and above the current levels of RSG. The last is essential if we are to obtain the co-operation of local authorities necessary for the success of Enterprise Zones though it will raise once again arguments in favour of relief to local authorities faced with an immediate loss of rate revenue when a steel plant closes or is sizeably reduced. So is adequate time for consultation with the local authorities and their associations; and I hope that we shall be able to see and agree upon a draft of the consultation document before it is issued.

As regards legislative provision raised in your letter of 8 February, I would favour provision being made in the present session as I understand is likely now to be possible.

/ I am sending copies of this letter to those who received yours.

*J. Crow*

*Nick*

20 FEB 1980







*cc A Inghid*

*Reg Post*

2 MARSHAM STREET  
LONDON SW1P 3EB

My ref: H/PSO/11035/80

Your ref:

18 February 1980

*See copy*

*None*

ENTERPRISE ZONES: CHOICE OF SITES IN ENGLAND

I have seen Peter Walker's letter of 29 January about Boldon.

I agree that it would be better not to have an EZ on existing agricultural land.

Boldon was put forward as a suitable site in part because the County Council have already proposed in their draft structure plan that the area should be developed for housing and industry. There is pressure too from Washington New Town for further land for development. In April there is to be an examination in public into the structure plan proposals. Following that I will have to decide, in consultation with colleagues, whether or not to accept the County's proposals.

As far as the Enterprise Zone announcement is concerned, I agree that we should not put forward the Boldon proposal at this stage. I have asked officials to check on the other possible EZ sites in the Northern Region and to let me have a report.

I am copying this letter to colleagues on E Committee, the Secretaries of State for Scotland, Wales and Northern Ireland, and to Sir Kenneth Berrill and Sir Robert Armstrong.

*yes*  
*lll*

MICHAEL HESELTINE

The Rt Hon Sir Geoffrey Howe QC MP

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18 FEB 1980



Secretary of State for Industry

DEPARTMENT OF INDUSTRY  
 ASHDOWN HOUSE  
 123 VICTORIA STREET  
 LONDON SW1E 6RB  
 TELEPHONE DIRECT LINE 01-212 3301  
 SWITCHBOARD 01-212 7676

13 February 1980

The Rt Hon Michael Heseltine MP  
 Secretary of State for the Environment  
 Department of the Environment  
 2 Marsham Street  
 London SW1

Dear Michael,

R 12/12

ENTERPRISE ZONES: CHOICE OF SITES IN ENGLAND

Thank you for sending me a copy of your letter of 25 January to Geoffrey Howe about sites for Enterprise Zones (EZs) in England.

I think we should aim to chose areas where the rating and other concessions stimulate development of unused or under-used property rather than just benefitting firms continuing their present operations. Therefore I have reservations about South Shoreditch. It is, as the note attached to your letter says, run down and densely built up; and for at least the past three hundred years it has been a hive of small, entrepreneurial manufacturing industry run by successive waves of immigrants whose only desire is to be left alone to get on with their business affairs in cheap if unbeautiful premises supported by a ready supply of hard-working labour; an archetypal enterprise zone, in fact. There seems to be no need for additional incentives, and anything the Government might do or pay for by way of tidying up could serve only to discourage the enterprises that flourish there. The North Wandsworth site is a much more promising prospect as a new enterprise zone.

I share your doubts as to the wisdom of including any site in the South West. The inclusion of Avonmouth would probably attract justifiable criticism from nearby South Wales. I also share Peter Walker's doubts about the wisdom of including the Boldon site because of the extent of farmland involved. Finally I wonder whether it is wise to choose a site at Doncaster. It is the nearest large town to Scunthorpe and the creation of an enterprise zone will detract from the attention we shall have to give to Scunthorpe because of the prospect of redundancies in steel.

/I am ...



I am content with your other proposals and I do not object to announcing our list of English candidates so long as it is clear that we are not committed to any particular selection. It would obviously be desirable to announce our candidates in the rest of the UK at the same time.

I am sending copies of this letter to the recipients of yours.

Leam

Kear

13 FEB 1960





SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

The Rt Hon Michael Heseltine MP  
Secretary of State for the Environment  
2 Marsham Street  
London  
SW1P 3EB

13 February 1980

R. 1312

LEGISLATION FOR THE ESTABLISHMENT OF ENTERPRISE ZONES

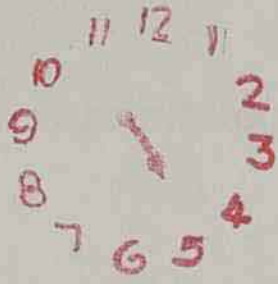
I have seen Geoffrey Howe's letter of 8 February to you confirming that the Finance Bill cannot be stretched to cover the non-fiscal elements of the Enterprise Zone package.

We will obviously have to take advice on the implications for overall progress on the Local Government Bill of introducing the Enterprise Zone provisions and given the doubts about whether the EZ provisions come within the scope of the Bill and the slow start in Committee yesterday the omens do not look encouraging. However, I think Geoffrey is right to remind us that expectations have been aroused and that we should give the experiment as fair a wind as we can. In Scotland, it is certainly true that Press speculation has created some expectation of a fairly early announcement, and today's Financial Times article will no doubt add to its pressures.

I am copying this letter to the Prime Minister, Geoffrey Howe, William Whitelaw and Norman St-John Stevas and to members of E and L Committees.

GEORGE YOUNGER

13 FEB 1980





SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
LONDON  
SW1P 3HE

12 February 1980

R 12/2

#### ENTERPRISE ZONES

We were invited by E Committee to look again at sites for enterprise zones, and choose sites which would have good prospects of revival.

These considerations were taken into account in the selection made by CPRS after discussion with my officials - namely Singers (Clydebank) and Braehead (which straddles the boundary between Glasgow and Renfrew Districts) - and I would like to stand by them. I think that both sites should be named in the proposed consultation document - to list only a single Scottish site would give the impression that the consultation process was a mere formality.

I am copying this letter to members of E Committee, to the Secretaries of State for Wales and Northern Ireland and to Sir Kenneth Berrill and Sir Robert Armstrong.

GEORGE YOUNGER



11 FEB 1960

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11 10 9 8 7 6 5

✓ AD

CONFIDENTIAL



Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

The Rt Hon Michael Heseltine MP  
Secretary of State  
Department of the Environment  
2 Marsham Street  
LONDON  
SW1

*R. M. P.*

12 February 1980

*Michael Heseltine*

ENTERPRISE ZONES: CHOICE OF SITES IN ENGLAND

Your letter to Geoffrey Howe of 25 January contained a revised short-list of sites for Enterprise Zones.

... I have sought the views of my Regional Directors on this latest list and enclose a summary of their comments. You will see that in London North Wandsworth is favoured over South Shoreditch and in the North Boldon over Scotswood Road. In the Midlands there seems some doubt whether it would be economic to develop more than a small portion of the Bilston site, and two other possibilities are mooted.

I am sure that you will agree that the Directors' knowledge of the local area and labour markets makes their views valuable.

I am copying this letter to those to whom you sent yours.

*Geoffrey Howe*

## ENTERPRISE ZONES: CHOICE OF SITES

### Views of DE/MSR Regional Manpower Services Directors

#### London

The difficulties with the proposed South Shoreditch site are recognised, particularly those caused by a lack of vacant land. But there seems to have been doubt about the response from Hackney BC. We feel that the proposal will meet with resistance from the local authority, who have already developed a very good relationship with private industry, particularly small firms, that would be threatened if the area became an Enterprise Zone. This leads us to believe that North Wandsworth (the present reserve) is a better choice. Much of the land in this area is unoccupied and in the hands of statutory agencies. Co-operation from the local authority is also likely.

#### Midlands

The site at Bilston has now been promoted from the reserve list to the short list, on the basis that 200 acres are available. However, our understanding is that only 27 are likely to be available to industry for the foreseeable future; the cost of retrieving the remainder, due to the nature of the dereliction, could be prohibitive. Should these problems rule out Bilston there are two other sites in the West Midlands which might be considered: the old gas works at Salthey/Nechells in the Birmingham Partnership Area and part of Coventry, possibly the vacated part of the British Leyland works at Canley. Both are areas which, despite problems of economic decline, continue to display some resilience and enterprise and could prove responsive to the initiative proposed.

#### Northern

Both of the sites proposed on the short-list have attractions but we would favour Boldon. It has good communications and daily travel to work to it would be convenient from Gateshead, Felling, Jarrow and Hebburn and South Shields as well as East Boldon. (Wearside residents are better placed to travel to Washington, but could also find work at Boldon). This is particularly important for Jarrow and South Shields, which are short of land suitable for industrial development. An Enterprise Zone there would thus be better placed, serving a wider community and an area with a higher unemployment rate, than sites to the West of Newcastle. Development costs should not be high.

.../The site

The site is of course at present agricultural, but 75 hectares of it are scheduled for industrial development in Tyne and Wear's draft Structure Plan and a further 70 hectares are earmarked for longer-term development. The local authority regards this land as of relatively poor quality from the agricultural point of view.



Chancellor of the Duchy of Lancaster

PRIVY COUNCIL OFFICE  
WHITEHALL, LONDON SW1A 2AT

12 February 1980

Nick to see

Mr. Biny

✓ AD.  
De G. G. G.

LEGISLATION FOR THE ESTABLISHMENT OF ENTERPRISE ZONES

You sent me a copy of your letter of 8 February to the Environment Secretary.

I was glad to see that you will be able to include some of the necessary legislative provisions for enterprise zones in the Finance Bill. I fully recognise the importance you and other colleagues attach to these proposals and certainly hope that it will be possible to include the remaining provisions in the Local Government, Planning and Land (No 2) Bill. I must, however, given the circumstances surrounding that Bill, and the general pressure on the legislative programme, enter some notes of caution.

Enterprise zones will inevitably raise a good deal of interest and controversy in the House. My judgment is that we should be courting considerable trouble if the Standing Committee on the Local Government Bill or the Report Stage of that Bill were used as the principal forum for Parliamentary debate on the policy behind enterprise zones. We have already run into trouble by adding new provisions to the Education Bill. The Local Government Bill also may have to be guillotined, and if the Opposition could claim that this new policy on enterprise zones was not adequately debated in the Commons it would add to the problems facing that Bill in the Lords. From the Parliamentary point of view, therefore, it might be preferable for you to make the announcement in the context of the Budget and take the policy debate first in the Finance Bill. We could then argue that amendments to the Local Government Bill were in a sense consequential. But this would presumably mean including in the Finance Bill the powers enabling the designation of enterprise zones. Is this acceptable to you?

Second, we need to be sure that all the provisions you have in mind, including exemption from the industrial training levy, can be obtained within the scope of the two bills. Have your officials taken advice from Parliamentary Counsel on this point? I wonder, in any event, if it would not be wise for you to take the policy issues to the stage of detailed instructions to Counsel so that they can consider the matter carefully and consult the House authorities. It would be very embarrassing for us all if we attempted to introduce amendments to the Local Government Bill and found them disallowed as outside the scope of that Bill.

Contd...



In other words, I doubt if we are yet able to make a final decision. I suggest that as the next step Parliamentary Counsel is instructed to prepare the necessary draft clauses for both the Finance and the Local Government Bills and asked to take advice on whether the scope of the two Bills is wide enough to accept those clauses. Perhaps we can then have a meeting of all the Ministers concerned to decide how best to proceed.

I am copying this letter to the Prime Minister, the Home Secretary, the Environment Secretary and members of E and L Committees. A copy goes also to Sir Robert Armstrong.

James N.

P.S. I am asking for a reply as possible as  
I expect great impetus to be given shortly possibly  
to stimulate the economy but I have to work  
of the 1976-77.

The Rt Hon Sir Geoffrey Howe, QC, MP  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
SW1

13 FEB 1980

11 12 1  
10 2 3  
9 4  
8 7 6 5

*A. Duguid*



*Reg. Paul*

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

8 February 1980

*Mr Heseltine*

*R 872*

LEGISLATION FOR THE ESTABLISHMENT OF  
ENTERPRISE ZONES

You will recall that when MISC 28 met on 10th January to consider what clauses should be omitted from the Local Government Bill, and which additions might be included, I was invited to consider whether it would not be possible to include all the necessary provisions for Enterprise Zones in the 1980 Finance Bill. It was recognised that this might not prove possible, and that further consideration would have to be given to the possibility of introducing the necessary provisions as Committee Stage amendments to the Local Government, Planning and Land Bill.

I asked officials to examine the possibility of including all the legislative provisions in the Finance Bill in the most positive spirit. But the advice of Parliamentary Counsel, whom we have consulted on this matter, is quite definite: it would not be possible for the Finance Bill to contain the provisions for rates relief (with compensation for local authorities); relaxation of planning controls; or exemption from the industrial training levy. In the view of Parliamentary Counsel, these provisions must go in some non-Finance Bill vehicle.

The only suitable non-Finance Bill vehicle available this session is the Local Government Bill. I am therefore writing to seek your support for the inclusion of the non-fiscal Enterprise Zones provisions in this Bill (the two fiscal concessions would be included in the 1980 Finance Bill). At the meeting of E Committee on 19th December we agreed that legislation for the establishment of Enterprise Zones should be included in this session's programme if at all possible. I know that the Prime Minister and you share my view that it

/is important

The Rt. Hon. Michael Heseltine, MP





is important that the Government should act on this proposal soon. There have been a number of articles about Enterprise Zones in the press recently. Expectations have been aroused; and the credibility of the Enterprise Zones experiment could be damaged if we do not act promptly to implement it. It will take some time for the Zones to be designated and for enterprise to get going. It is therefore important that we allow the maximum time for the merits of these Zones, which reflect our fundamental belief that enterprise should be given a freer rein, to be demonstrated before the next General Election.

I would therefore be most grateful if you could agree to introduce the necessary amendments at Committee Stage of your Local Government Bill.

I am copying this letter to the Prime Minister, William Whitelaw and Norman St. John Stevas and to members of E and L Committees.

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

(GEOFFREY HOWE)

18 FEB 1980



cc A. Ingrid

SECRETARY OF STATE FOR ENERGY  
THAMES HOUSE SOUTH  
MILLBANK LONDON SW1P 4QJ 211 6402

The Rt Hon Sir Geoffrey Howe QC MP  
The Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
London SW1P 3HE

6 February 1980

In Sir,

R  
6/2

ENTERPRISE ZONES : CHOICE OF SITES

I have seen Michael Heseltine's letter to you of 25 January, suggesting a revised short-list and reserve list of possible sites for Enterprise Zones, and Peter Walker's letter of 29 January.

In general, I have no comment to offer on the proposed sites; they seem to me to meet the criteria discussed in E Committee. One of the two alternative Tyneside sites, however, is of interest to my Department. I understand that the site at Scotswood Road - Derwent Haugh encompasses land owned by the CEGB, some of which will need to be retained to meet the needs of their generating programme.

The argument over the Bolden site obviously involves major difficulties on either side, and I would not wish to intervene in this. Whichever course is chosen, however, I hope that in view of the CEGB interest, my Department can be involved either in an official study of the alternative sites or in any further consideration of the Scotswood Road - Derwent Haugh site. If interested bodies are to be consulted on this site, I hope that the CEGB can be involved.

Copies of this letter go to Michael Heseltine and all those who received copies of his letter.

D A R Howell

Jan 6/2

- 6 FEB 1960





Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
HM Treasury  
Treasury Chambers  
Great George Street  
LONDON SW1P 3AG

5 February 1980

#### ENTERPRISE ZONES

I thought it might be helpful to set out how we propose that the decision we took at E Committee on 19 December to exempt establishments from industrial training levies should be implemented.

We think the simplest and most effective arrangement would be to exclude all establishments in Enterprise Zones from the scope of any Industrial Training Board (very small firms are excluded already). This would exempt the establishments concerned not only from levy but also from any requirement to furnish information to ITBs. It would, of course, also mean that they were not eligible for any ITB grant (for which in any case few might qualify) though some MSC assistance might be available. This, in turn however, would have the advantage of avoiding any questions of compensating ITBs for loss of revenue.

I think the 10 year limit for all the concessions suggested in Michael Heseltine's letter of 25 January would be appropriate for the ITB concession also; the scheme is, after all, experimental and we need the opportunity for review.

As already discussed between officials, the necessary legislative provisions for excluding establishments from the scope of ITBs would need to be included in whatever Bill is used this Session to create Enterprise Zones. I mentioned earlier that we expect to have an Industrial Training Bill next Session, but this is not certain, nor is its timing. Ability to implement the ITB relief at the same time as other measures is desirable, to encourage expansion of existing firms as well as the establishment of new ones.

I have, of course, not been in a position to consult the MSC about any of this, still less the ITBs themselves, and would wish to do so as

CONFIDENTIAL



soon as there is consultation with the local authority associations. Meanwhile this seems to me the most practicable way of giving effect to our decisions.

I am sending copies of this letter to E Committee members, George Younger, Nick Edwards and Humphrey Atkins and to Sir Kenneth Berrill and Sir Robert Armstrong.

*Y  
L  
T  
u  
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- 5 FEB 1960



CONFIDENTIAL

file.

Regional  
Bliley

BR

5 February 1980

Legislation for the Establishment of Enterprise Zones

The Chancellor minuted the Prime Minister on 30 January informing her that it will not be possible to include all the necessary powers for the Establishment of Enterprise Zones in the Finance Bill. He suggested instead that the powers should be taken in the Local Government, Planning and Land Bill.

The Prime Minister shares the Chancellor's desire to make provision for Enterprise Zones as soon as possible. But since the Second Reading of the Local Government Bill is today, she does not think there is time to reach agreement with the Secretary of State for the Environment on a suitable passage in his speech which would presage the addition of new clauses in Committee..

The Prime Minister suggests that the Chancellor should now, as a matter of urgency, consult the Secretary of State and the Chancellor of the Duchy of Lancaster, in accordance with the conclusion from MISC 28(80) 1st Meeting, about the inclusion of non-fiscal provisions in the Local Government Bill so far as Parliamentary Counsel agrees that this is possible. If agreement is not forthcoming, then he will have to take the matter back to MISC 28.

Assuming that it is possible to reach agreement to use the Local Government Bill, the Chancellor will of course need to consider with the other Ministers concerned how best to inform Parliament.

T. P. LANKESTER

John Wiggins, Esq.,  
HM Treasury

CONFIDENTIAL

Ge



CONFIDENTIAL

Prime Minister

As we are now too late to say much about 2nd Reading of the Local Gov. Bill. Perhaps could be included in the new clause of the Committee more draft would be

This is a mess: it looks as if a separate Bill may in the end be required, and the Chief Whip won't like that. The Chancellor ought to have gone back to his colleagues urgently, if you agree, I will write on the lines of the attached draft.

Ref. A01312

MR. LANKESTER

Establishment of Enterprise Zones

attached

You asked for advice on the Chancellor of the Exchequer's minute of 30th January to the Prime Minister, inviting her to agree to the inclusion of legislative provisions for establishing Enterprise Zones in the Local Government, Planning and Land Bill.

2. The Second Reading of the Local Government, Planning and Land Bill is tomorrow, and it scarcely seems possible to reach agreement on the use of that Bill in time for the Secretary of State for the Environment to include a suitable passage in his speech on Second Reading. This is not uncontroversial: while MISC 28 were prepared to contemplate the use of the Local Government Bill for this purpose, Legislation Committee were very much against it when they considered the Bill last week.

3. The Chancellor of the Exchequer does not appear to have consulted the Secretary of State for the Environment or the Chancellor of the Duchy of Lancaster, as he was invited to do at MISC 28; and he appears not to have copied his minute to them or to the Home Secretary.

4. To the best of our knowledge, Parliamentary Counsel has not yet fully considered the possibility of including the necessary non-fiscal provisions in the Local Government, Planning and Land Bill. The scope of the Bill may not be wide enough to do everything that is required, particularly the provisions relating to industrial training levy.

5. The Prime Minister might therefore reply to the Chancellor of the Exchequer, advising urgent consultation with the Secretary of State for the Environment and the Chancellor of the Duchy of Lancaster - and, if necessary, taking the problem back to MISC 28. If it is decided to use the Local Government Bill, it will be necessary to consider how best to inform Parliament.

6. I attach the draft of a reply on these lines which the Prime Minister might send to the Chancellor of the Exchequer.

RA

ROBERT ARMSTRONG

4th February, 1980

CONFIDENTIAL

DRAFT MINUTE FROM THE PRIME MINISTER

CHANCELLOR OF THE EXCHEQUER

Legislation for the Establishment of Enterprise Zones

*Convert into  
Punch cards  
later.*

*R.*

You minuted me on 30th January about legislation for enterprise zones. I share your desire to make provision for this new policy as soon as possible. I understand that it will not be possible to include all the necessary powers in the Finance Bill; but, since the Second Reading of the Local Government, Planning and Land Bill is <sup>to day</sup> on Tuesday, ~~I doubt whether~~ there is time to reach agreement on <sup>we can't</sup> the inclusion ~~of~~ <sup>do</sup> a suitable passage in the Secretary of State's speech.

2. I think you should consult the Secretary of State for the Environment and the Chancellor of the Duchy of Lancaster, in accordance with the conclusions of MISC 28(80) 1st Meeting, as a matter of urgency, about the inclusion of non-fiscal provisions in the Local Government, Planning and Land Bill, so far as Parliamentary Counsel agrees that it is possible. If agreement is not forthcoming, then you will have to take the matter back to MISC 28.

3. In the event of reaching agreement to use the Local Government Bill, you will need to consider, with the other Ministers concerned, how best to inform Parliament.



UNITED STATES DEPARTMENT OF STATE

OFFICE OF THE ASSISTANT SECRETARY FOR PUBLIC AFFAIRS

WASHINGTON, D. C. 20520

FOR IMMEDIATE RELEASE

February 4, 1980



-4 FEB 1980

Faint, mostly illegible text of a press release or memorandum, appearing to be a standard format with a header and several paragraphs of body text.



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

cc ✓ co (David Wright)

PRIME MINISTER

LEGISLATION FOR THE ESTABLISHMENT OF ENTERPRISE ZONES

You will recall that at the meeting of E Committee on 19th December, we agreed that the necessary legislation for the establishment of Enterprise Zones should be included in this session's programme if possible. E Committee noted that the Group under William Whitelaw's chairmanship (MISC 28) would try to give favourable consideration to the inclusion of the relevant clauses in the Local Government, Planning and Land Bill. When MISC 28 met on 10th January to consider what clauses should be omitted from the Local Government Bill, and which additions might be included, I was invited to consider whether it would not be possible to include all the necessary provisions for Enterprise Zones in the 1980 Finance Bill. It was recognised that this might not prove possible, and that further consideration would have to be given to the possibility of introducing the necessary provisions as Committee Stage Amendments to the Local Government, Planning and Land Bill.

2. I asked officials to examine the possibility of including all the legislation in the Finance Bill in the most positive spirit. But the advice of Parliamentary Counsel, whom we have consulted on this matter, is quite definite: it would not be possible for the Finance Bill to contain the provisions for rates relief (with compensation for local authorities); relaxation of planning controls; or exemption from the industrial training levy. In the view of Parliamentary Counsel these provisions must go in some non-Finance Bill vehicle.



3. The only suitable non-Finance Bill vehicle available this session is the Local Government Bill. I am therefore writing to seek your support for the inclusion of the non-fiscal Enterprise Zones provisions in that Bill (the two fiscal concessions would be included in the 1980 Finance Bill). I do think it is important that the Government should act on this proposal soon. You will have seen the articles about Enterprise Zones which have appeared in the press recently. Expectations have been aroused; and the credibility of the Enterprise Zones experiment could be damaged if we do not act promptly to implement it. It will take some time for the Zones to be designated and for enterprise to get going. It is therefore important that we allow the maximum time for the merits of these Zones, which reflect our fundamental belief that enterprise should be given a freer rein, to be demonstrated before the next General Election.

4. I understand that the Second Reading Debate for the Local Government Bill is likely to begin around 5/6 February. If you agree that Enterprise Zones legislation should be included in that Bill, it would seem to me advisable that the fact should be mentioned by Michael Heseltine when he introduces the Second Reading Debate.

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

(G.H.)

30 January, 1980

BOEING

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M.



From the Minister

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD  
WHITEHALL PLACE, LONDON SW1A 2HH

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
The Treasury  
Parliament Street  
London SW1

*R*  
*3/71*  
29 January 1980

*R. Scapellato*  
ENTERPRISE ZONES: CHOICE OF SITES IN ENGLAND

When Michael Heseltine wrote to you on 25 January about the selection of sites for Enterprise Zones he suggested that in the North East local authorities and private experts should be consulted about the comparative suitability of the greenfield site at Boldon and the derelict area near the Scottswood Road. I would be against this.

First, I am in no doubt that the Boldon site would prove simpler and cheaper to develop than any derelict urban area. That is why we lose over 35,000 acres of farmland every year to urban development and why we give special encouragement to the re-development of derelict urban land.

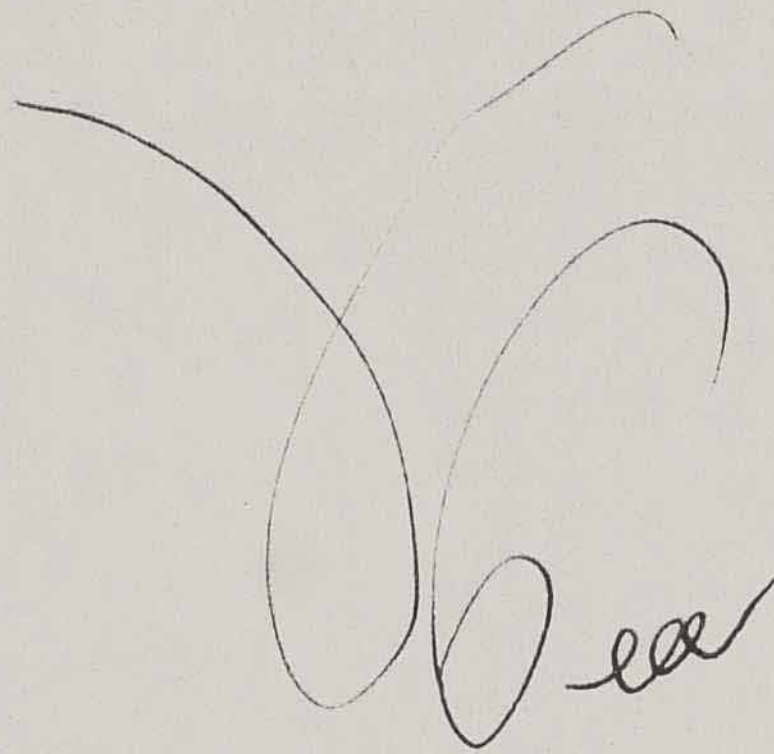
Second, it has been the policy of successive Governments not to take for development any more agricultural land than is reasonable. In accordance with this policy my officers have notified the Borough of South Tyneside that we shall object to the designation of the Boldon site for industrial development in the district plan. It would appear quite contrary to our collective responsibilities if Michael now consulted the Council about its suitability for an Enterprise Zone.

Third, this is not an odd patch of a few acres. It is 515 acres of valuable agricultural land in full use for farming and, as I understand it, also greatly valued by the Tyne/Wear County Council for "green belt" reasons.

Apart from the policy objections to developing this particular site, I think it would be tactically wrong to lead local authorities to

believe that greenfield sites, which are cheap and easy to develop, will generally be considered for the exceptional treatment that we are contemplating for Enterprise Zones. I also believe that we should encounter the strongest public criticism not only from the farming industry but from all who are concerned about the dwindling area of irreplaceable natural resources and the deterioration of the urban environment.

I am copying this letter to colleagues on E Committee, the Secretaries of State for Scotland, Wales and Northern Ireland, and to Sir Kenneth Berrill and Sir Robert Armstrong.

A handwritten signature in black ink, appearing to read 'Peter Walker', with a large, stylized flourish above the name.

PETER WALKER



ORIGINAL OF JUDGE

10 9 8 7 6 5  
4 3 2 1





Regional Policy  
2 MARSHAM STREET  
LONDON SW1P 3EB

My ref:

Your ref:

25 January 1980

See briefing

R 2071

### ENTERPRISE ZONES: CHOICE OF SITES IN ENGLAND

E Committee suggested that the choice of sites needed further consideration. We are looking for sites where the EZ concept has a good prospect of success, while helping to tackle problems of economic or physical decay. There is some conflict between these objectives, which is acute in areas of low economic activity and weak demand such as Tyneside, Merseyside, or the far South West. In these regions the fiscal incentives may not be sufficient. But if we do not try the EZ concept in the more difficult areas our experiment will prove very little.

On Tyneside, if a site of the type of the undeveloped and well situated Boldon is not acceptable (though I think it the most likely in the region to attract private investors and well placed to help with shipyard and engineering closures) there is a possibility within the inner area, on either side of the Tyne along Scotswood Road and around Derwent Haugh. A typical area of urban dereliction, it is not, however, likely to attract private investors without public expenditure on site clearance and preparation. I propose suggesting this site for immediate exploration, but I would be reluctant to rule out Boldon entirely. Perhaps after consultation with the local authorities and private sector experts officials could let us have a comparative assessment of the Boldon and the Scotswood Road/Derwent Haugh sites and any other possibilities so that we can make a final decision on a suitable Tyneside site.

In the North West, Speke is probably the most attractive site for an EZ on Merseyside. Elsewhere in the North West Trafford Park would also be a good candidate and a better prospect than Preston Docks (which, I understand, may be capable of development by other mechanisms). I propose the former for our short list and the latter as a reserve.

I was asked to consider a site in the South West. For the most part the towns in the region could not support an enterprise zone of significant size. They do not generally suffer from

large run-down areas of industrial decline and dereliction, so that an EZ would have to be on a greenfield site. The best possibility would probably be at Avonmouth where there is a site of over 1,000 acres. An EZ here would be likely to succeed, but it cannot be said to be in a problem area and the site would need road access costing between £1½ and £6m., depending on the size to be developed. An alternative within the assisted areas would be at Plymouth where there is a small 120 acre site at Roborough/Belliver on the north-eastern fringe of the city. But the proposal for an EZ would be controversial locally and would probably be opposed by at least one of the local authorities. The EZ concept does not fit so well in the South West as it does in the older industrial towns of the North and Midlands.

Elsewhere it is easier to meet our criteria. I attach an annex suggesting a short list and a reserve list of sites. I suggest that following the announcement officials should consult local authorities on the six short-listed (South Shoreditch, Bilston, Speke, Trafford Park, Boldon or Scotswood Road, Attercliffe). If some of these then prove unsuitable we could substitute names from the reserve list (North Wandsworth, Corby, Preston Docks, Doncaster Carr). We will also have to consider other possibilities put forward. I am doubtful about any site in the South West, but would add Avonmouth to the list for consultation if colleagues wished.

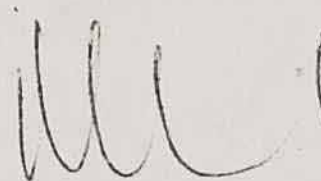
One aspect of the choice of sites is expenditure on pre-development work. It is possible that in some cases the private sector might take on all or part of the burden. But in areas of low demand - where the boost of an EZ is most needed - they will probably not. The value of the fiscal concessions will not match with the costs of the work involved. And since in areas such as Merseyside and Tyneside there are already many existing empty premises developers will not be able to recoup extra costs through high rents. In these cases public resources will be essential if the EZ is not to be stillborn. The pressure on my Department's programme is such that it would not be possible to find the sums that are likely to be needed from within the resources currently available to me. Consultation will allow us to estimate more accurately how much may be required (guestimates are given in the Annex), but I must make it clear now that I would expect this new government policy to be funded from a new allocation of resources.

#### ANNOUNCEMENT OF NAMES IN CONSULTATION DOCUMENT

We have to decide whether the sites we are considering should be named in the announcement. Either way there is inevitably a risk of blight or of undesirable speculation - likely to be more intense, though less widespread, if sites are named. Naming the sites might help to limit the scope of consultations; though I expect the pressure would be similar on either alternative if the package is found attractive.

Since the sites on which we are focussing consultation will no doubt get out, my own preference would be to name the sites in the announcement while making it clear that we still have an open mind and that we will consider others.

I am copying this letter to colleagues on E Committee, the Secretaries of State for Scotland, Wales and Northern Ireland, and to Sir Kenneth Berrill and Sir Robert Armstrong.

*yes* *em*  


MICHAEL HESELTINE

## ENTERPRISE ZONES : CHOICE OF SITES IN ENGLAND

### SUGGESTED SHORT-LIST

#### London

South Shoreditch, Hackney: 175 acres just north of the City, a run-down but densely built up area with mostly old and small offices, shops, workshops, and mixed-use housing. Few vacant sites, some underused buildings. Hackney BC may be hostile.

#### Midlands

Bilston, Wolverhampton: 200 acres almost entirely vacant waste, or derelict land in an urban industrial area. Predominantly owned by BSC and the local authority. Pre-development works £2m plus. The availability of the land would need to be confirmed through consultations.

#### The North West

Speke, Liverpool: 300 acres, vacant dis-used part of Airport owned by Liverpool City Council. Servicing costs approximately £5m.

Trafford Park Industrial Estate, Manchester: 400 acres of vacant land, some of it derelict, dotted within a much larger old industrial estate, plus 250 acres of greenfield land, already scheduled for industrial development, on the fringe. Owned by the Trafford Park Industrial Estate Co., the local authority, and the Manchester Ship Canal Co. Some parts would need reclamation, estimates of costs not available.

#### The North East

Boldon, South Tyneside: 500 acres of undeveloped land on the <sup>v</sup>fringe of the conurbation scheduled in the draft structure plan for industrial development. Privately owned. An EZ might be managed by the Washington Development Corporation, who have a good reputation with the private sector. Cost of land approximately £1.5m, servicing £2m - £10m.

OR

Scotswood Road/Derwent Haugh/Newburn Haugh: up to 750 acres containing perhaps 300 acres of developable land in scattered derelict or under-used sites in a poor environment within the inner area. The land is owned by CEGB, the local authorities, and some privately. The cost of site preparation probably £10m to £15m but could be higher. The local authorities would probably welcome an EZ.

Yorkshire

Attercliffe, Sheffield: 500 acres containing 100 acres of scattered vacant waste or derelict sites in an inner urban area with a poor environment. Owned predominantly by BSC and Sheffield City Council. More land might become available if there were further closures of steel-works. Cost of pre-development works about £4m - £6m.

The South West (if E.2. in the Region is required)

Avonmouth: over 1,000 acres of undeveloped land already scheduled for development in this growing industrial area. Owned by a few large companies and the local authorities. Cost of providing access £1.5m to £6m.]

SUGGESTED RESERVE LIST

London

North Wandsworth: 170 acres between the railway and the river from Chelsea Bridge to Vauxhall Bridge. Predominantly either under-used, vacant, or derelict. Mixed ownership but the key area is owned by BR and BSA. The availability of the land would need to be confirmed during consultation. Site preparation £2m - £4m.

Midlands

Earlstrees, Corby: 170 acres of worked land which is being reclaimed and consolidated. Probably suitable only for light industries. Owned by development corporation. (Other sites in Corby are also available.)

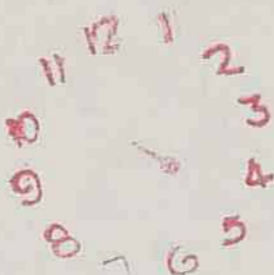
The North West

Preston Docks: 170 acres derelict dock sides, plus 300,000 sq ft building. Owned by Preston DC; docks are to close due to silting. The area would be affected by the dock labour scheme. Central Lancs New Town might be used as a managing agency. Estimates of costs of pre-development works not available.

Yorkshire

Doncaster Carr: 220 acres: wholly vacant marshy land which need draining, filling, and servicing at a cost of £6m - £8m. (Net financing cost probably around £2m.) Owned by Doncaster BC and BR.

25 JAN 1980





C. A. Duguid

2 PPS



2 MARSHAM STREET  
LONDON SW1P 3EB

My ref:

Your ref:

25 January 1980

R2511

### ENTERPRISE ZONES

At E Committee on 19 December it was agreed that some outstanding issues on the EZ proposals should be settled by correspondence.

The proposed concession on rating is the only one that would benefit occupiers of premises rather than developers, and which will be a continuing stimulus to economic activity. Moreover, it may be more important to many smaller businesses than capital allowances, or the DLT concession. I would hope therefore that we could agree to recommend to the PM to retain the original proposal of a 100% remission of rates. Full remission would also reduce local administrative costs on collection, and would maximise the presentational impact without great additional costs in lost revenues.


There is also the question of how the grant needed to reimburse local authorities which lose rate income is to be funded. The E Committee minutes imply that the grant would be taken from within the aggregate of rate support grant and associated grants. However the local authority associations would be certain to contest this and will argue as a point of principle that the grant should be additional to current grants and not diminish the residual amount for RSG. The existing rate rebate scheme is a precedent on these lines. The sum of money needed for an EZ grant would be very much smaller. I believe that this would be the fairer solution. We should not ask all local authorities to finance the rates foregone in EZs.

The time limit on the rating concessions suggested by E Committee of 7 years would I am sure be considered too short by private sector developers and investors. A major development can take 3-5 years or more to complete to the point where rates become payable. Moreover, investors in property are not concerned merely with the allowances that they get at the time of construction and immediately thereafter but rather rental income and rising capital values over a 20-30 year period. That means that they must feel that the EZ will continue to develop and prosper. 10 years may well be the absolute minimum time sufficient to make

a significant impact on the private sector's investment decisions. I believe that we risk diluting the effect of the fiscal incentives too far if we set out time limit at less than 10 years. Perhaps we could consider a ten year limit for all the concessions?

Of the other outstanding issues, I circulated my proposals on controls over development with my letter of 17 December and I think these will fit with the proposals as they are now developing. I hope to put forward within the next few days some suggestions on choice of sites and on the related issue of the resources that might be needed for any pre-development works.

I am sending copies of this letter to colleagues on E Committee, to the Secretaries of State for Scotland, Wales and Northern Ireland, as well as to Sir Kenneth Berrill and Sir Robert Armstrong.

*Yours ever*  


MICHAEL HESELTINE



10 DOWNING STREET

THE PRIME MINISTER

16 January 1980

*Dear Mr. Tanni,*

Thank you for your letter of 28 December 1979 enclosing a copy of a letter of 13 December from your constituent Mr D J McGinness of 63 Easson Road, Redcar, Cleveland who asks why substantial Government assistance in the form of Regional Development Grants is made available to profitable free-enterprise organisations while local authorities and NHS services are starved of development finance.

The Government is committed to reducing public expenditure because we believe that the present level is too high and that the public sector is consuming resources which ought to be released to the private sector where the rebuilding of the economy must take place. It is not true, however, to say that local authorities or NHS services are starved of development finance. The Government has made it clear that stringent overall economies are to be achieved in local government expenditure but local authorities have been left to decide for themselves how these economies are to be made. In respect of NHS services the Government has said that it will maintain the expenditure plans it inherited for the Health Service which provide for a slow but steady growth in the next few years. This protection is a measure of the importance the Government attaches to the NHS.

The Regional Development Grants Scheme, which was set up in 1972, was intended to achieve, by encouraging investment, the modernisation and regeneration of industrial manufacturing capacity in the older industrial areas of the country with the long term aim of providing secure and increased employment in those areas.

/It is

*CF to note*

*cc: D/Ind*

*Regional Policy*

*Original in BK*

*KB*

*DI*

It is an essential feature of the scheme that assistance should be made available to all manufacturing industries in these areas and that profitable companies should be encouraged to invest in new and improved capacity so as to safeguard and provide employment.

The Government recognises, however, that such assistance should be concentrated on the areas of greatest need. One of the early measures taken by the Government was therefore a considerable reduction in the scope and coverage of the Regional Development Grant scheme which will achieve substantial reductions in public expenditure (amounting to over £200 million per year by 1982/3) while continuing to make assistance available for those areas of the country where the need is greatest. The areas in most need are retaining the full range and scale of help that they have had in recent years.

These savings are an essential part of the Government's policy of making substantial reductions in public expenditure and, by reducing the burden of direct taxation and the role of Government in industry, creating a climate in which industry can flourish and generate the wealth necessary to support public expenditure on the provision of local authority services and to finance the national Health Service.

*Yours sincerely*

*Margaret Thatcher*

---

James Tinn Esq MP



Regional 2.  
Policy  
Prime Minister.

27/12

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

27 December, 1979

*[Handwritten signature]*

ENTERPRISE ZONES: COMPULSORY REGISTRATION

A delegation led by Anthony Steen called on me on 18th December to discuss the Free Ports Bill which Anthony had introduced under the Ten Minute Rule.

I attempted to steer them away from the concept of free ports towards Enterprise Zones and, in this context, the idea came up that there should be provision for the compulsory sale of publicly held land in Enterprise Zones to potential users who could demonstrate that they could put the derelict land to good use.

I understand from my officials that you are already considering the idea of including Enterprise Zones as designated areas for the purposes of compulsory registration and directions to dispose of land under the provisions of the Local Government Bill. The purpose of this letter is simply to add my support to this proposal.

I am copying this letter to E Committee.

*[Handwritten initials]*

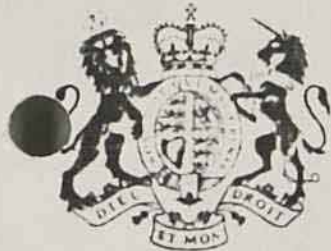
*[Handwritten signature]*

GEOFFREY HOWE

The Rt. Hon. Michael Heseltine, M.P.

27 DEC 1979

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Chancellor of the Duchy of Lancaster

 PRIVY COUNCIL OFFICE  
 WHITEHALL, LONDON SW1A 2AT

18 December 1979

*De G. J. H.*

## ENTERPRISE ZONES

I am sorry that I shall not be able to attend the E Committee's discussion on enterprise zones on 19 December. While I do not wish to comment on the policy of what is proposed, I would like to comment on the proposal to include some of the necessary statutory provisions in the Local Government, Planning and Land Bill.

Paragraph 10 of your paper (E(79) 85) recognises the problem. I would like to stress that we are going to have extreme difficulty in getting the Local Government Bill through the House. The Chief Whip and I will be urging our colleagues to reduce the length of the Bill substantially so as to make it more manageable and to give us some reasonable prospect of securing it this session. But it is not just a question of the number of clauses. Since the Bill was first proposed it has acquired a number of controversial provisions. Legislation on enterprise zones would be a further one. I do not think the Bill would be able to bear the weight. The Home Secretary's group will have to look at this further, but for the present I hope E Committee will not assume that the necessary statutory provisions can be got through in the Local Government Bill this session.

I cannot pretend that there is any greater prospect for separate legislation this session - I can see no spare capacity in the programme at the moment. The only answer if legislation is essential this session, may be for the Environment Secretary and other colleagues to balance the priorities for the Local Government Bill between enterprise zones and some of the other controversial provisions already in the Bill.

Despite these reservations, I am prepared to give authority for Counsel to be instructed to draft the necessary clauses on enterprise zones if the policy is agreed by the Committee. I am giving this drafting authority, however, on the understanding that the provisions can only be introduced in the Local Government Bill if the Home Secretary's Group is satisfied that the difficulties I envisage can be overcome.

Contd...



I am copying this letter to the Prime Minister and to other members of E Committee, the Lord Chancellor, the Secretaries of State for Scotland, Wales and Northern Ireland, the Minister of Transport, the Chief Whip, and to First Parliamentary Counsel and Sir Robert Armstrong.

*John A. N...*  
—

The Rt Hon Sir Geoffrey Howe, QC, MP  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
SW1





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18 DEC 1979

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PRIME MINISTER

ENTERPRISE ZONES

E(79) 85

Letter from the Secretary of State for the Environment to the Chancellor of the Exchequer dated 17 December 1979.

Letter from the Chancellor of the Duchy of Lancaster to the Chancellor of the Exchequer dated 18 December 1979.

Both in  
his folder  
R.

BACKGROUND

1. E Committee considered the Chancellor of the Exchequer's proposals for Enterprise Zones on 23 October (E(79) 13th Meeting, Item 3). They expressed strong support for the concept, but asked the Chancellor to consider his proposals in more detail in consultation with the members of MISC 14 and other colleagues - the Secretaries of State for Employment and for Trade, the Lord Privy Seal, and the Minister of Transport.
2. The Chancellor's paper E(79) 85 reflects these consultations and, unlike its predecessor, makes firm proposals on the package of measures and the choice of sites.
3. The package of measures in paragraph 3 of the Chancellor's paper is quite a long way from his original concept. De-regulation is now very much in second place behind financial incentives. He redresses the balance somewhat in paragraph 4. This paragraph is mainly about sympathetic administration of regulations, but it also canvasses the idea of making development easier by means of Special Development Orders, which the Environment Secretary, in his letter of 17 December, seems prepared to contemplate.

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HANDLING

4. You will want the Chancellor of the Exchequer to introduce his paper. You might then suggest discussing his proposals in the order set out in his paragraph 2 -

- i. The package of measures
- ii. The choice of sites
- iii. The necessary legislation
- iv. The method of announcement and future handling.

The Package of Measures

5. You could invite discussion of each of the six measures in paragraph 3 in turn, and then consider whether the package as a whole is satisfactory.

6. Items i. and ii., capital allowances for buildings and exemption from Development Land Tax. These are the Chancellor's own proposals and are likely to be widely welcomed. The only question is whether three years is enough. MISC 14 were in favour of a time limit, to encourage landowners to sell and developers to get on with the job, but in his letter of 17 December the Environment Secretary proposes ten years. The Chancellor may well say that this is too long. You might see if the Committee will agree on an intermediate figure - five years perhaps?

7. Item iii., de-rating of industrial and commercial premises. The Chancellor's paper looks forward to firm recommendations which the Environment Secretary makes in his letter of 17 December. These are that all industrial and commercial buildings in the Enterprise Zones should be de-rated, for a period of ten years, and that the local authorities should be reimbursed one hundred per cent by specific grant which would be a transfer within, not an addition to, public expenditure. You will want to see if the Committee agree with this. Ten years may be appropriate for de-rating, even if a shorter period has been agreed for the capital allowances and exemption from DLT.

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8. Items iv. - vi., exemption from IDC controls, from the industrial training levy, and from all but the bare minimum of Government statistical surveys.

The proposal is that these three measures should apply without time limit. You might simply check that the Committee are content for them to go ahead. I doubt whether anyone will object.

9. Shape of the Package. You might then raise the question whether the package as a whole is satisfactory, and invite the Chancellor of the Exchequer to comment on this, with particular reference to his paragraph 4. He will probably underline his request to the Ministers responsible for certain policy areas to urge the relevant authorities to interpret their responsibilities sympathetically in Enterprise Zones, and you might see if anyone dissents from this. On Special Development Order, the Environment Secretary's letter of 17 December offers two courses, conventional Special Development Orders or a new form applicable only to Enterprise Zones and requiring further legislation. You might ask him if he is making a firm proposal in favour of either of these, and if so, see what the Committee think of it. The Committee will need to take a view at this stage if he is proposing further legislation, but not otherwise.

Choice of Sites

10. E Committee cannot sensibly take final decisions about the choice of sites at this stage, since there may be drawbacks which will not be known until the local authorities are consulted. The Chancellor therefore seeks the Committee's agreement (paragraph 6 of his paper) to two lists of sites - a first list on which consultations would begin as soon as the Government announced its proposals, and a reserve list from which he and the Environment Secretary would pick sites on which to open consultations if sites on the first list had to be dropped for any reason. The aim would be to end up with a first round of about half a dozen sites, well spread across the regions and across different types of site.

11. You might first check that the Committee agree with the Chancellor on the principle of agreeing to a first list and a reserve list, and on the statement of where we want to end up. Assuming that they do, you might then invite comments on the individual sites.

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12. Ministers will obviously have their own views on this subject. There are two comments to make. First, the Clydebank (Singers) site is not on the long list at Annex A, but has been included because the closure of the large Singers factory makes it an obvious candidate. Second, the Northern Ireland Secretary is bound to press for his West Belfast site to be included on the first list rather than the reserve list. There is unlikely to be objection to this, unless it is considered very important not to go above six sites in the initial consultations.

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Legislation

13. MISC 14 were keen to get on with Enterprise Zones, which means legislating this session if possible. The Chancellor proposes legislation in the Finance Bill (which should cause no problem) and the Local Government Planning and Land Bill, which is a different story. He accepts that inclusion of the relevant clauses would be subject to the agreement of the Group under the Home Secretary which will be considering the Bill, but he hopes to enlist E Committee's sympathy in pressing his case.

14. I understand that the Environment Secretary is still content for the Enterprise Zone clauses to be added to his Bill, despite the loss of other material which was agreed at Cabinet last week, but you will want to begin by checking this. You might then invite the views of the Home Secretary, and take note of the letter from the Chancellor of the Duchy of Lancaster which points to the difficulties. There should be general agreement that the decision on whether or not to add the clauses to the Local Government Planning and Land Bill is in commission to the Home Secretary's group. But you might see if there is a general feeling in favour of legislating this session if possible, which might give a steer to that group.

Method of Announcement and Future Handling

15. The Chancellor of the Exchequer's proposals are at paragraph 13 of his paper. The key points are -

- i. Most of the timetable is subject to the agreement of the Home Secretary's group that the necessary clauses can be added to the Local Government Planning and Land Bill.

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ii. The Chancellor of the Exchequer would make the initial announcement and launch the policy document at Annex B to his paper; but he would then hand over the lead on consultations and implementation to the Environment Secretary.

16. Ministerial responsibility is of course for you to decide. Subject to that, you will want to check that the Committee are content with the proposed method of proceeding, and are broadly content with the policy document. This document may in any case need revision in the light of the discussion so far. You might ask colleagues to put any drafting points direct to the Chancellor, and ask the Chancellor to inform the Committee when he proposes to make his announcement and circulate a final version of the document beforehand.

CONCLUSIONS

17. You will want to record the Committee's conclusions on -

i. The package of measures to be applied in Enterprise Zones. -

ii. The principle of the first list and reserve list of sites for consultation, and any specific points on which sites should be included in which list.

iii. The inclusion of appropriate clauses in the Local Government Planning and Land Bill subject to the views of the Home Secretary's Group.

iv. Subject to that, the timetable proposed by the Chancellor of the Exchequer.

v. The Chancellor's proposal to make the initial announcement himself and then hand over the reins to the Environment Secretary - subject to your own views.

vi. The issue of the document at Annex B, subject to any drafting changes and to the Chancellor's giving the Committee advance notice of when he proposes to make his statement and circulating a final version of the document at that stage.

10 DEC 1979

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2 MARSHAM STREET  
LONDON SW1P 3EB

My ref:

Your ref:

17 December 1979

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See before

When we discussed possible measures in Enterprise Zones at last week's meeting of MISC 14, I was asked to let you have some notes on rating, planning applications, building regulations and private rented housing. I hope the attached Annexes are self-explanatory, but there are two points I would like to mention.

Rating, the other fiscal concessions, and the planning relaxations, ought to be time-limited. At MISC 14, 3 years was suggested for the fiscal concessions. I think this would be too limited in time to give EZs a chance. A longer time span would be particularly important if the rating concession is to make a significant impact on developers' calculations of profitability. And investors and developers would need to feel that the gradual rise to prosperity of the EZ area is likely to be reasonably assured over a period of at least 10 years. We shall have to be able to create an expectation and confidence in the continuing development of each EZ. So I think we should not unduly limit the time span of any of the EZ concessions.

I have thought hard about rent deregulation in an EZ. My firm opinion is that we should not pursue this proposal. It would provide a major political stick that the Opposition could use against EZs and would be likely to prompt political retaliation against both shorthold and our scheme for new-build for rent - free from rent control.

I am copying this letter and the Annexes to members of E Committee and Sir Robert Armstrong.

yes etc.

MICHAEL HESELTINE



ENTERPRISE ZONES : RATING

It was agreed at MISC 14 that the de-rating of industrial and commercial properties should be part of the measures. Three issues remain:

(i) Scope for concession

Should it be restricted to new development, extensions, improvements? Or to new enterprises, firms? Restrictions of either kind would be extremely difficult to make water-tight in law and would almost certainly lead to litigation. Such restrictions might also be seen as unfair to business ratepayers already established in the area.

(ii) Duration of the concession

De-rating means that developers will be able to ask higher initial rents from occupiers, or if they are the occupiers themselves will enjoy a higher rate of return directly. But in either case they cannot calculate the rate of return on their investment unless they know the minimum number of years the rate concession will last. To give a reasonable encouragement, and to give an assurance that subsequent expansions and improvements may also benefit, it would be advisable to announce a fairly generous term of years, perhaps 10 years.

(iii) Where the cost falls

Very rough initial estimates suggest that enterprise zones might cost £2-£4m a year each in lost rates income. Authorities would be reluctant to co-operate fully unless there is full compensation to provide 100% reimbursement by specific grant. A specific grant would be a public sector transfer of revenues. It would not be found from PESC programmes, therefore, but could be taken into account in determining the final figure of aggregate Exchequer grant each year.

It is recommended that:

- (a) de-rating be conferred on all industrial and commercial properties in an EZ, without restriction to new development or new businesses;

(b) de-rating should be for 10 years;

(c) authorities should be reimbursed 100% by specific grant.

These provisions would require legislation. A Bill on these lines would be simple to draw up, but complex if the de-rating were to be confined to certain types of development or business.

ICD / DOE

14/12/79

Enterprise Zones: Administration of Permissions  
needed for Development.

Existing position.

1. Approval is invariably needed for the planning and building regulation aspects of development. Planning control plays an important part in controlling the location of polluting and hazardous industries and in some cases conditions may be imposed to reduce the impact (e.g. in relation to noise). Detailed pollution controls are exercised under separate powers, some of which require prior consent. Building regulations are used as a mechanism by which prescriptive requirements relating to fire, safety and health, as well as constructional standards, are enforced. Subsequent occupation and use of a building may be subject to certification - e.g. fire authority approval for certain uses; or may be governed by requirements under the Health and Safety at Work Act or Public Health Acts, relating, for example, to the installation of machinery or to particular processes - in many cases these are not subject to prior approval or certification. The attached note summarises the position. Planning permission can also be given by special development orders. These are fairly rare. They are subject to the negative resolution procedure.

Proposals.

1. Essential features.

(i) a local authority or new town or urban development corporation willing to make a success of the EZ and, where necessary, provide the infrastructure. Things would be easier if the authority or corporation owned all the land.

(ii) a basic plan to give the basic zoning in the EZ, the position of roads, sewers and other fundamentals. It would have attached to it a clear indication of other constraints governing siting, bad neighbours and similar basic points. All development that conformed to the plan and did not run into these constraints could be given permission by a development order made by the Secretary of State, to which the plan would be attached.

/(iii) an

(iii) an officer designated by the authority with delegated authority to handle applications for planning and building regulation permission. On the other aspects, particularly those concerning safety, health and pollution, he would seek to ensure that the applications were dealt with by the relevant statutory bodies or officers sympathetically, and with the minimum delay. This officer's role would be an expression of the authority's commitment, not a statutory requirement.

2. Legislation.

Primary legislation would be needed to designate the EZ boundary (within which fiscal or other concessions would apply). There would be a choice between proceeding by special development order under existing legislation or legislating for a new form of development order (which need not be subject to Parliamentary procedure, if the legislation so provided) giving force to the basic plan described above. It is for consideration whether the legislation should provide a procedure prior to designation for the hearing of objections from owners, occupiers or users of land within the EZ or pollution control authorities whose interests might be harmed by development permitted by the order. Such a procedure would cause delay, but it would also help to ensure a degree of acceptability and permanence for the EZ which would be important to potential investors.

STATUTORY CONTROLS ON DEVELOPMENTApplicable to all development proposals

- Planning control - Approval required from local planning authority (district council)
- Building regulations - Approval required from local authority (district council)

Applicable to some development proposals

- Air pollution control - Scheduled processes - subject to requirement that "best practicable means" are used to abate pollution - administered by Alkali Inspectorate.
- Other processes - subject to agreement of local authority (district council) to height of chimneys and installation of grit and dust arrestment equipment. Additional approval needed for "offensive trades" under Public Health Acts.
- Noise - <sup>prescriptive</sup> ~~Prescriptive~~ control system other than planning ~~controls administered through the~~ ~~planning system~~ except in noise abatement zones.
- Water pollution control - Services - RWA sets conditions on composition of discharges
- Rivers, etc - RWA grants discharge consent, including conditions on composition.
- Fire precautions - Prescriptive controls under building regulations.
- Certificate required from fire authority (County Council) after construction but before use for certain purposes (e.g. offices, hotels, factories above a certain size).
- Health and Safety at Work - Prescriptive controls on buildings under building regulations.



18 DEC 1979

PART 1 ends:-

Ld Chancellor to FST 5.11.79

PART 2 begins:-

MISC14(79) 8 20 November 1979

