

PART 3

Confidential Filing

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

REGIONAL POLICY

Part 1: May 1979

Part 3: July 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
29. 6. 81							
- Pt. ends -							
<p>PREM 19/576</p>							

See also:-

Owens Aid : Pt 2

Closure of Tate and Lyle.

PART 3 ends:-

TL to PM 29.6.81

PART 4 begins:-

S/S Defence to S/S ENW 30.6.81

TO BE RETAINED AS TOP ENCLOSURE

**Cabinet / Cabinet Committee Documents**

Reference	Date
E (80) 72	18.7.80
E (80) 26 <sup>th</sup> Meeting, Minute 2	22.7.80
MISC 14 (80) 19	1.8.80
E (81) 7	14.1.81
E (81) 8	16.1.81
E (81) 2 <sup>nd</sup> Meeting, Minutes	20.1.81
E (81) 9	21.1.81
E (81) 10	22.1.81
E (81) 4 <sup>th</sup> Meeting, Minute 1	26.1.81
E (EA) 81 8 <sup>th</sup> Meeting, Minute 1	9.4.81

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed AWayland Date 23 August 2011

PREM Records Team



Regional  
2  
Policy

10 DOWNING STREET

Prime Minister

Councillor Goldrain has

written again - this one

complaining about something

fairly innocuous you said

about Mercedes in the House.

I will let you have

a swift reply.

MB B.

9/6



10 DOWNING STREET

*From the Private Secretary*

26 June 1981

I enclose a letter the Prime Minister has received from Councillor Goldrein of Merseyside. He criticises the Prime Minister's answer in the House last week when she was asked about Merseyside, and asks whether she will now put the record straight.

I would be grateful if you could let me have a draft reply for the Prime Minister to send to Mr. Goldrein. Perhaps you could also advise whether we might arrange for a Conservative backbencher to ask a further question about Merseyside to which she might reply perhaps rather more positively.

I am sending a copy of this letter and enclosure to Robin Ibbs (Central Policy Review Staff).

L. E. LANKESILR

David Edmonds, Esq.,  
Department of the Environment.

my

MFJ

26 June 1981

I am writing on behalf of the Prime Minister to thank you for your letter of 24 June.

I will place your letter before the Prime Minister and you will be sent a reply as soon as possible.

TPL

Councillor N.C. Goldrein

FILE

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10 DOWNING STREET

*From the Private Secretary*

24 June 1981

*Dear Mr.*

I attach a copy of the note of the meeting held here on 22 June to discuss Merseyside.

I am sending a copy of this letter and enclosure to Richard Dykes (Department of Employment), John Rhodes (Trade), Ian Ellison (Industry), David Edmonds (Environment), Anthony Mayer (Transport), Gerry Spence (CPRS) and David Wright (Cabinet Office).

*Yours*

*Tim Laker.*


A.J. Wiggins, Esq.,  
H.M. Treasury.

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C/F PPS KS



# Merseyside County Council

County Councillor Neville C Goldrein MA (Cantab)  
Leader of the Council Conservative Party.

PO Box 95  
Metropolitan House  
Old Hall Street  
Liverpool  
L69 3EL

Telephone 051-227 5234

24th June, 1981

R26/6

*Dear Prime Minister,*

I must refer to your answer to a question in the House of Commons on Tuesday, 23rd June. In your statement you say that "you begin to wonder whether we are getting the best value or whether it is properly applied in the interests of those who work in Merseyside". I am naturally concerned about these words because for a period of four years, until some six weeks ago, the County Council was Conservative controlled. I know that your remarks may well be directed at Liverpool City who have in many instances been obstructive to our efforts, particularly concerning the Ring Road, but the reaction in Merseyside is that the finger of condemnation is pointed at us. W

So far as the County is concerned - and generally in all fairness probably so far as the City is concerned - all monies, whether from Government or from Commerce and Industry, are applied in this County the best way possible to minimise unemployment and to assist in our future prosperity. The trouble is, that Merseyside has particular historical problems arising from the run down of the docks and the replacement of the old local industries by the large - and internationally strike prone - motor industry.

Our greatest problem, however, is our image. I am reliably assured, and all statistics show this, that Merseyside is by no means at the top of the strike league and that in the major industrial conurbations we come about half way down. Nevertheless the general public's view is that, at the drop of a hat, Merseyside will be militantly out on strike.

This false image causes us tremendous problems. When the kings of industry are invited to Merseyside, they are reluctant to come because of our reputation. Once they establish themselves here they do not move away. Over the years, and particularly during the Conservative administration we have fought hard and long to improve this unfair picture of Merseyside.

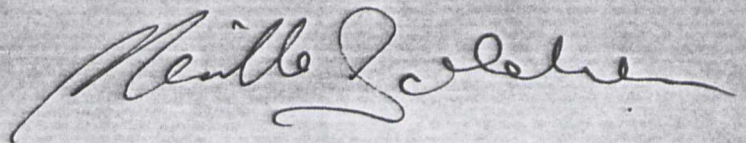
Now unfortunately, and at National level, you as Prime Minister have in effect given a seal of approval to the words of criticism. Those who were considering coming may well now conclude that in view of your strictures they should stay away. Those who were balanced on a knife edge as to whether or not to come, may be similarly affected. In fact I am sorry to put it this way, but your remarks - which I am sure did not in any way have this intention - will be interpreted as being confirmation that Merseyside is not a place to which to come, and that if the County fails properly to deal with £300 million of Government money each year then who is going to risk his private money in such a County?

I accordingly ask you if you will make a public statement which would receive at least as much publicity as that under discussion, to the effect that Merseyside's adverse image is incorrect, that the County has a great deal to offer, that tremendous efforts have been made and opportunities exist here for commerce and industry, and that the Government will continue to support us in the sure knowledge that the long term investment is a good one - as is indeed the case.

The £300 million a year can go to waste without such a statement whereas it can be worth double that sum if it has direct Prime Ministerial support.

If you can find time to visit this County it will be a tremendous boost not only locally but nationally and I naturally join the present Labour Leader of the County Council in his invitation to you.

*Yours sincerely,*



The Prime Minister,  
(The Rt. Hon. Margaret Thatcher, MP.),  
10 Downing Street,  
London, SW1.

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24.6.81 BTA1368

FOR URGENT TRANSMISSION TO THE PRIME MINISTER.  
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DEAR PRIME MINISTER

PRESS REACTION LOCALLY TO YESTERDAY'S EXCHANGES IN THE HOUSE OF COMMONS ABOUT MERSEYSIDE'S PROBLEMS HAS BEEN UNFAVOURABLE TO THE CONSERVATIVE SIDE.

I KNOW THAT THERE ARE NO EASY ANSWERS TO OUR PROBLEMS BUT I FEEL IT IS IMPORTANT TO DEMONSTRATE THAT CONSERVATIVES UNDERSTAND THESE PROBLEMS AND CARE ABOUT THEM.

IT WOULD THEREFORE BE VERY OPPORTUNE IF YOU WERE TO ANNOUNCE TODAY YOUR INTENTION TO VISIT MERSEYSIDE IN THE NEAR FUTURE.

YOURS SINCERELY  
ANDREW PEARCE  
MEP - CHESHIRE WEST

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Harland extract PM's Question Time  
23/6/87.

Q4. **Mr. Allan Roberts** asked the Prime Minister if she will list her official engagements for Tuesday 23 June.

**The Prime Minister:** I refer the hon. Gentleman to the reply which I gave some moments ago.

**Mr. Roberts:** Will the Prime Minister today consider the obscene level of unemployment in Merseyside? The national average is high enough, but unemployment in Merseyside is nearly double that. Given that some of my constituents are of Irish descent, and that both Protestants and Catholics live in harmony together, will she give the industries of that area the same amount of help as the Government have given to Harland and Wolff?

**The Prime Minister:** The problem of Merseyside is acutely difficult. The Government have set up almost every organisation possible in order to help the area. Those organisations include the urban development corporation, a partnership arrangement, an enterprise zone and the help given through being a special development area. Per annum, about £300 million of Government aid goes into Merseyside. I begin to wonder whether we get the best value for it and whether it is properly applied in the interests of those who work on Merseyside. There would seem to be a certain lack of decision about what to do in relation to such things as the ring road, and it would seem to go through the whole organisation. It is time that a decision was reached on how to proceed with the problems of Merseyside.

**Mr. Murphy:** Will my right hon. Friend find time today to congratulate those firms in my constituency which

have courageously invested during the recent recession and which already are seeing an improvement in their trading?

**The Prime Minister:** I am delighted to congratulate firms that have continued to invest. The clue to investment is whether a company can be certain of getting a reasonable return. When they can, we are prepared to make the investment and finance abundantly forthcoming.

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SIR ROBERT *RA* ARMSTRONG

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MERSEYSIDE

I attach a note of yesterday's meeting.

Subject to your approval of it, I suggest that - as last time - it should be passed to No 10 for circulation under cover of a Private Secretary letter.

*DJM*

D J L MOORE

23 June, 1981

Attachment:

*Mr Lancaster*

*RA 23. vi. 81.*

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NOTE OF A MEETING HELD AT 5 pm ON MONDAY 22 JUNE 1981

AT 10, DOWNING STREET,

TO DISCUSS MERSEYSIDE

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Present: THE PRIME MINISTER  
(In the Chair)

CHANCELLOR OF THE EXCHEQUER

SECRETARY OF STATE FOR INDUSTRY

SECRETARY OF STATE FOR EMPLOYMENT

SECRETARY OF STATE FOR ENVIRONMENT

SECRETARY OF STATE FOR TRADE

PARLIAMENTARY UNDER-SECRETARY OF  
STATE, DEPARTMENT OF TRANSPORT.

MR D YOUNG,  
DEPARTMENT OF INDUSTRY.

MR J R IBBS  
CENTRAL POLICY REVIEW STAFF

SIR ROBERT ARMSTRONG

MR D J L MOORE

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The Meeting discussed a report on Merseyside by the Central Policy Review Staff (CPRS) which Mr Ibbs had circulated under cover of his letter of 17 June to the Chancellor of the Exchequer.

2. Mr Ibbs said that the problems of Merseyside were deep-seated; for 30 years average unemployment in the area had been worse than elsewhere and neither regional policies nor specific action directed to Merseyside had been effective in correcting this. It was now necessary to look for solutions more suited to the special problems and characteristics of Merseyside. It was necessary to do more to secure the better coordination of the activities of the various public sector agencies operating in the area, and CPRS recommended that the present Inner City Partnership mechanism for Liverpool should be revised to

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provide an economic development forum for the whole of Merseyside. This forum should be charged with the task of adopting and implementing an agreed development strategy which would build on the strengths and traditions of the area: that is, in commerce and the service industries and in small firms, rather than in major manufacturing enterprises. In particular, consideration should be given to developing financial and leisure services and tourism; provision should be made for the development of special employment and training measures; a study should be made of ways of encouraging port-related industry on surplus dock land in the area, and this might be set in the context of a more general review of the national ports system. Any general review of the functions of the two tiers of local government in the Metropolitan counties could be of benefit to Merseyside. Although the Government was committed to the present framework of regional incentives for the life of this Parliament, the CPRS recommended that a general review of regional policy should be put in hand to examine the case for changes in the longer term aimed at switching the emphasis of regional policy from the promotion of manufacturing industry to the promotion of employment of all kinds in the most hard pressed regions.

3. In discussion the following were the main points made:-

- (a) Because of the relative attractions of Manchester it was probably unrealistic to think that substantial advances could be made in developing Liverpool as a centre for financial and leisure industries. Something might be made of promoting port-related industries, but this would be more in terms of a salvage job rather than of a major new development. There was no future in trying to mount a tourist development programme for Merseyside. Some service

as such, though there might be scope for some development of Merseyside as a centre for tourism in North Wales and North-West England.

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in North Wales and North-West England



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industries and manufacturing firms in the area were successful. The substantial investment in the car industry in Merseyside had, however, largely failed; indeed, as in Glasgow, it had been damaging to the local economy in that it had ~~created pressure for higher wages~~ *pushed up the level of* throughout the area, *and priced the traditional employers out of the market.*

(b) A more promising course would be to concentrate on dealing with the problems of dereliction and planning blight. The Merseyside Development Corporation had been set up for this purpose; a wide range of powers were already available to deal with planning problems and to provide incentives for investment on land which had been cleared. The Department of the Environment now had comprehensive and detailed lists of land, in Merseyside and elsewhere, owned by public sector authorities which was unused or under used. If these sites could be improved where necessary and sold, new businesses might be set up. The maximum use should be made of funds which were available from European Community sources.

(c) In particular, it was necessary to deal with planning blight resulting from vacillation over the future of the Inner Ring Road which was intended to relieve traffic congestion in the centre of the city and to provide a rapid exit for ~~the~~ vehicles leaving the commercial and port area. After long delays the Merseyside County Council, which was the responsible planning authority, had gone ahead with this project. Following the recent elections, the new leadership of the County Council had now brought the work to a halt and were considering cancelling contracts. The Liverpool City Council were more concerned with using the land for housing than for developing the road. To bring the resulting planning blight to an end what was needed

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was a decision either to get on with the road or to leave it unfinished and to develop a housing programme; the worst outcome would be continued indecision and bickering between the authorities concerned. The problem of the Inner Ring Road was symptomatic of the malaise in Merseyside.

(d) As the problem of the Inner Ring Road illustrated, and as the CPRS had rightly pointed out in their report, lack of leadership and failure of coordination between the various authorities was at the root of the problem of developing effective programmes in Merseyside. The CPRS's own solution of building on the Inner City partnership was not, however, the best way forward. The present local authorities were too intent on in-fighting and the development of a new economic forum, involving them, could well prove ineffective and lead to the further waste of resources. It was now necessary to consider the possibility of by-passing the existing authorities and arrangements, and appointing either a 'Commissioner' or a senior Minister with the executive powers necessary to take decisions and to ensure that progress was maintained and funds well spent.

(e) The appointment of a Commissioner would require legislation and would lead to demands for similar appointments in other depressed areas. To avoid legislation it would be better to consider the appointment of a senior Minister, who could make use of the wide-ranging powers already available to Ministers, with a role perhaps similar to that played in the early 1960s in the North East by the present Lord Chancellor. There would be no avoiding demands for similar Ministerial appointments for other areas, but to reduce the pressure for

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this it could be made clear that the appointment of a Minister to deal with Merseyside in particular was temporary and experimental.

(f) It would be for further consideration whether, if a Minister were to be appointed in this way, he should have any additional funds at his disposal. The CPRS had identified, in their report of March 1981, public expenditure in Merseyside in 1981-82 of well over £350 million, and this figure would be much higher if account were taken of all public sector activity in the area. It was arguable that the main task of the Minister should be to ensure that these substantial sums were spent to the best effect and directed to the right priorities. On the other hand, the local authorities and the agencies concerned would be resentful of any attempt to withdraw funds from particular programmes and they would be much more likely to cooperate if some new financial inducement were in prospect.

(g) The opportunity should be taken to press home the message that wages on Merseyside tended to be at national levels and were too high for a depressed area. Unless wages came down people would continue to price themselves out of jobs. More generally, further consideration would need to be given to the problem of the narrowing differential between wages and social security benefits which could discourage people from taking up work.

THE PRIME MINISTER, summing up the discussion, said that the meeting agreed that further work should be directed to dealing with dereliction and planning blight on Merseyside with a view to making land suitable for sale and development. It was clear that the Merseyside local authorities

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and agencies were ineffective in using the substantial resources and powers available to them and the meeting was provisionally attracted by the idea of appointing a senior Minister with special responsibility for Merseyside. Any such appointment would be temporary and would be presented as an experiment in order to discourage bids for similar Ministerial appointments to deal with the problems of other depressed areas. Before a decision was taken on this possibility, the Secretary of State for the Environment, in consultation with the other Ministers concerned, should make specific proposals for action to deal, under present powers, with planning blight and dereliction and for the role which might be given to a Minister with special responsibilities. He should indicate the costs of this action and the extent to which they could be accommodated within the present expenditure programmes from which Merseyside was benefitting.

THE MEETING -

Invited the Secretary of State for the Environment, in consultation with the Chancellor of the Exchequer, the Secretary of State for Industry, and other Ministers as necessary, to make proposals, as soon as possible and before the Summer Recess, for further action to deal with the problems of Merseyside on the lines indicated by the Prime Minister in her summing up of their discussion.

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cc. Minister 2/81.

SUBJECT

NOTE OF A MEETING HELD AT 1700 ON MONDAY 22 JUNE 1981 AT  
10 DOWNING STREET TO DISCUSS MERSEYSIDE

Present:

- The Prime Minister
- The Chancellor of the Exchequer
- The Secretary of State for Employment
- The Secretary of State for Trade
- The Secretary of State for Industry
- The Secretary of State for Environment
- Parliamentary Under-Secretary of State, Department of Transport
- Mr. D. Young, Department of Industry
- Sir Robert Armstrong
- Mr. J.R. Ibbs, CPRS
- Mr. D.J.L. Moore

The meeting discussed a report on Merseyside by the Central Policy Review Staff (CPRS) which Mr. Ibbs had circulated under cover of his letter of 17 June to the Chancellor of the Exchequer.

Mr. Ibbs said that the problems of Merseyside were deep-seated; for 30 years average unemployment in the area had been worse than elsewhere and neither regional policies nor specific action directed to Merseyside had been effective in correcting this. It was now necessary to look for solutions more suited to the special problems and characteristics of Merseyside. It was necessary to do more to secure the better coordination of the activities of the various public sector agencies operating in the area, and CPRS recommended that the present Inner City Partnership mechanism for Liverpool should be revised to provide an economic development forum for the whole of Merseyside. This forum should be charged with the task of adopting and implementing an agreed development strategy which would build on the strengths and traditions of the area: that is, in commerce and the service industries and in small firms, rather than in major manufacturing enterprises. In particular, consideration should be given to developing financial and leisure services and tourism; provision should be made for the development of

/ special

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special employment and training measures; a study should be made of ways of encouraging port-related industry on surplus dock land in the area, and this might be set in the context of a more general review of the national ports system. Any general review of the functions of the two tiers of local government in the Metropolitan counties could be of benefit to Merseyside. Although the Government was committed to the present framework of regional incentives for the life of this Parliament, the CPRS recommended that a general review of regional policy should be put in hand to examine the case for changes in the longer term aimed at switching the emphasis of regional policy from the promotion of manufacturing industry to the promotion of employment of all kinds in the most hard pressed regions.

In discussion the following were the main points made:

- (a) Because of the relative attractions of Manchester it was probably unrealistic to think that substantial advances could be made in developing Liverpool as a centre for financial and leisure industries. Something might be made of promoting port-related industries, but this would be more in terms of a salvage job rather than of a major new development. There was no future in trying to mount a tourist development programme for Merseyside as such, though there might be scope for some development of Merseyside as a centre for tourism in North Wales and North-West England. Some service industries and manufacturing firms in the area were successful. The substantial investment in the car industry in Merseyside had, however, largely failed; indeed, as in Glasgow, it had been damaging to the local economy in that it had pushed up the level of wages throughout the area, and priced the traditional employers out of the market.
- (b) A more promising course would be to concentrate on dealing with the problems of dereliction and planning blight. The Merseyside Development Corporation had been set up for this purpose; a wide range of powers were already available to

/ deal with

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- 3 -

deal with planning problems and to provide incentives for investment on land which had been cleared. The Department of the Environment now had comprehensive and detailed lists of land, in Merseyside and elsewhere, owned by public sector authorities which was unused or under used. If these sites could be improved where necessary and sold, new businesses might be set up. The maximum use should be made of funds which were available from European Community sources.

(c) In particular, it was necessary to deal with planning blight resulting from vacillation over the future of the Inner Ring Road which was intended to relieve traffic congestion in the centre of the city and to provide a rapid exit for vehicles leaving the commercial and port area. After long delays the Merseyside County Council, which was the responsible planning authority, had gone ahead with this project. Following the recent elections, the new leadership of the County Council had now brought the work to a halt and were considering cancelling contracts. The Liverpool City Council were more concerned with using the land for housing than for developing the road. To bring the resulting planning blight to an end what was needed was a decision either to get on with the road or to leave it unfinished and to develop a housing programme: the worst outcome would be continued indecision and bickering between the authorities concerned. The problem of the Inner Ring Road was symptomatic of the malaise in Merseyside.

(d) As the problem of the Inner Ring Road illustrated, and as the CPRS had rightly pointed out in their report, lack of leadership and failure of co-ordination between the various authorities was at the root of the problem of developing effective programmes in Merseyside. The CPRS's own solution of building on the Inner City partnership was not, however, the best way forward. The present local authorities were too intent on in-fighting and the development of a new economic forum involving them could well prove ineffective and lead to the further waste of resources. It was now necessary to

/ consider

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- 4 -

consider the possibility of by-passing the existing authorities and arrangements, and appointing either a "Commissioner" or a senior Minister with the executive powers necessary to take decisions and to ensure that progress was maintained and funds well spent.

(e) The appointment of a Commissioner would require legislation and would lead to demands for similar appointments in other depressed areas. To avoid legislation it would be better to consider the appointment of a senior Minister, who could make use of the wide-ranging powers already available to Ministers, with a role perhaps similar to that played in the early 1960s in the North East by the present Lord Chancellor. There would be no avoiding demands for similar Ministerial appointments for other areas, but to reduce the pressure for this it could be made clear that the appointment of a Minister to deal with Merseyside in particular was temporary and experimental.

(f) It would be for further consideration whether, if a Minister were to be appointed in this way, he should have any additional funds at his disposal. The CPRS had identified, in their report of March 1981, public expenditure in Merseyside in 1981-82 of well over £350 million, and this figure would be much higher if account were taken of all public sector activity in the area. It was arguable that the main task of the Minister should be to ensure that these substantial sums were spent to the best effect and directed to the right priorities. On the other hand, the local authorities and the agencies concerned would be resentful of any attempt to withdraw funds from particular programmes and they would be much more likely to co-operate if some new financial inducement were in prospect.

(g) The opportunity should be taken to press home the message that wages of Merseyside tended to be at national levels and were too high for a depressed area. Unless wages came down people would continue to price themselves out of jobs. More generally, further consideration would need to be given to the problem of the narrowing differential between wages and social security benefits which could discourage people from taking up work.

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- 5 -

The Prime Minister, summing up the discussion, said that the meeting agreed that further work should be directed to dealing with dereliction and planning blight of Merseyside with a view to making land suitable for sale and development. It was clear that the Merseyside local authorities and agencies were ineffective in using the substantial resources and powers available to them and the meeting was provisionally attracted by the idea of appointing a senior Minister with special responsibility for Merseyside. Any such appointment would be temporary and would be presented as an experiment in order to discourage bids for similar Ministerial appointments to deal with the problems of other depressed areas. Before a decision was taken on this possibility, the Secretary of State for the Environment, in consultation with the other Ministers concerned, should make specific proposals for action to deal, under present powers, with planning blight and dereliction and for the role which might be given to a Minister with special responsibilities. He should indicate the costs of this action and the extent to which they could be accommodated within the present expenditure programmes from which Merseyside was benefiting.

The meeting invited the Secretary of State for the Environment, in consultation with the Chancellor of the Exchequer, the Secretary of State for Industry and other Ministers as necessary, to make proposals, as soon as possible and before the Summer Recess, for further action to deal with the problems of Merseyside on the lines indicated by the Prime Minister in her summing-up of their discussion.

TPL

24 June 1981

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Ref. A05118

PRIME MINISTER

Regional  
Policy

Merseyside

BACKGROUND

At your meeting on 30th March, the Central Policy Review Staff were asked to develop the ideas in the preliminary report on Merseyside (the record of this meeting was circulated under cover of Mr. Pattison's letter of 30th March). Mr. Ibbs sent their further report to Mr. Lankester on 10th June. With your approval, he subsequently circulated the report, under cover of a letter of 17th June, to the Ministers invited to your meeting on 22nd June - the Chancellor of the Exchequer and the Secretaries of State for the Environment, Employment, Industry, Trade and Transport.

2. Mr. Ibbs's letter of 17th June provides an annotated agenda for discussion of the CPRS report and for decisions on the main immediate proposals and the longer-term issues. The main themes of the report are summarised in paragraphs S1-S15 of the introduction. The CPRS recognise that the revival of Merseyside must depend largely on the revival of the economy as a whole. They fear, however, that, as the economy revives Merseyside may not pick up to the same extent as other depressed areas; at worst it could slip into an irreversible decline. To forestall this they make a number of specific proposals for Merseyside - S12-S15 - designed to strengthen the institutional arrangements for developing an economic strategy for the area which would build on its particular traditions and strengths - that is, in commerce and the service industries rather than manufacturing.

3. The report also raises the wider question whether the particular problems in Merseyside point to the case for a general review of regional policy - S10 and S11 and, in more detail, paragraphs 71-87 of the report; in particular, should the primary purpose of regional policy be the social one of responding to the regions' need for employment, rather than stimulating

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manufacturing investment? Since the Government is committed to the present framework of regional incentives for the life of this Parliament, the CPRS recognise that any such fundamental review would be aimed at changes in the next Parliament. If further work were to be done to this end, CPRS suggest that it might be undertaken in advance of the review, which E(EA) have recently agreed should take place in 1982, of the case for changing the present assisted area boundaries and redrawing the regional map.

HANDLING

4. The main objective of your meeting will be to approve further action to be taken, on the basis of the CPRS recommendations, and to allocate responsibility to particular Ministers for taking the lead on particular items of work.

5. After Mr. Ibbs has introduced his report, I suggest that - unless any Minister wishes to make general introductory points - you might use his letter of 17th June as an annotated agenda and deal with the points listed in it, as follows:

6. Merseyside proposals (paragraph 2)

- Another* ?  
*X*
- (a) The Secretary of State for the Environment to take the lead in the promotion of an economic development forum for the whole of Merseyside (details in paragraphs 20-23 of the CPRS report).
  - (b) Strategy to be developed on the lines summarised in paragraphs 12 and 13 of the report.
  - (c) The Secretary of State for Industry to arrange a joint exercise between his Department and local authorities to promote financial and leisure industries in Merseyside (paragraphs 42-44).
  - (d) The Secretary of State for Trade to encourage the English Tourist Board to promote a tourism development programme for Merseyside (paragraphs 45-48).
  - (e) The Secretary of State for the Environment and/or Transport to promote a joint study by the Port Authority and the Merseyside Development Corporation to encourage port-related industry on surplus dockland (details in Annex B of the CPRS report).

- (f) The Secretary of State for Employment and the Manpower Services Commission to develop special employment and training measures for the area (paragraphs 62-70).
- (i) You will wish to clarify how such measures for Merseyside in particular might fit in with the general measures which the Secretary of State is developing for dealing with unemployment and training problems (possibly Merseyside might be used as an area for trying out pilot schemes).
- (ii) More generally, you might consider whether a special package for Merseyside, covering (a)-(f) above, might lead to pressure for similar measures in other areas, such as Tyneside and, if so, whether this causes any problems.

7. General reviews of relevance to Merseyside (paragraph 3 of Mr. Ibbs's letter of 17th June).

- (a) Does the Secretary of State for Transport agree to the proposal for a review of the national port system (paragraphs 52-61)?

If he does, you might invite him to report to E(EA) which already has on board the problems of the Mersey Docks and Harbour Company and the Port of London Authority.

- (b) Reconsideration of the functions of the two tiers of local government in the Metropolitan counties.

Further changes, if any, on this front, will follow the discussion on 25th June by the Economic Strategy Committee of local government finances and arrangements; this meeting does not need to consider this point.

8. A regional review (paragraph 4)

The Secretary of State for Industry will wish to respond to the interesting arguments for setting up a review leading to a major redirection of regional policy in the longer term. Before commissioning any review, you might ask the Secretary of State for Industry to put proposals, taking account of the CPRS recommendations, to the Ministerial Committee on Economic Strategy, so that

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the other Ministers concerned - and in particular the Secretaries of State for Scotland and Wales - can have an opportunity to comment before any exercise gets under way.

CONCLUSIONS

9. In the light of the discussion you will wish:-
- (1) To record conclusions on each of the CPRS recommendations listed above and, where further action is agreed, to place responsibility on a particular Minister to take the lead.
  - (2) You might also wish to consider whether one Minister - perhaps the Secretary of State for the Environment - should have overall responsibility for overseeing progress on the individual items relevant to Merseyside in particular, and for ensuring that the Government gets maximum political credit for whatever initiatives are taken.

RA

ROBERT ARMSTRONG

19th June, 1981

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PRIME MINISTER

A very powerful  
paper by

Merryside

→ Peter Capper.  
not.

You may care to see  
the attached note from  
Peter Capper.

I don't necessarily  
endorse his views; I've not  
yet had time to consider  
them properly.

But they do  
suggest that the CPRS

athroad ( + we can  
all very easily fall  
into the same mould)  
may be too much  
founded in conventional  
views about regional  
history, and the  
"solutions" that can  
emerge from a  
re-shuffling of quangoes  
and so on

ly. U.

CHANCELLOR

cc Chief Secretary  
 Financial Secretary  
 Minister of State (C)  
 Minister of State (L)  
 Sir D Wass  
 Mr Ryrie  
 Mr Downey  
 Mr Bridgeman  
 Mr Burgner  
 Mr Lovell  
 Mr Dixon  
 Mr Kemp  
 Mr Chivers  
 Mr Ridley  
 Mr Cardona

## CPRS REPORT ON MERSEYSIDE

You have asked for reactions. My first reaction is that one cannot possibly, inside 24 hours, read a report on the future of a Metropolitan area with 1½ million people, think about it and make a considered response. Surely the CPRS could have given us more time. However, here goes.

1. I suspect that the CPRS Report shirks the main issue. It presents the choice between a regeneration strategy and a strategy of managed decline. It goes on to assert:

"A strategy based on decline would be unacceptable".

Maybe. A lot of things are unacceptable but they have to be faced. The failure of a regenerative strategy would be "horri-fying in terms of individual misery, social unrest and, eventually, cash". But the CPRS concludes it is the only way to go.

2. The authors of the report may have studied the economic history of Liverpool, but it does not come through in the report. The fact is that right through from 1715 (when the first dock was built) to 1914 Liverpool was a stupendous growth centre. During those years the North Atlantic passenger trade grew up until it reached a crescendo between 1880 and the outbreak of war. The relative shortness of the Atlantic crossing from Britain's west coast was a material advantage in the days of sail. Hence Bristol, Liverpool and Glasgow. With the switch to steam, Bristol wilted and Liverpool bounded ahead. European immigrants poured in from



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Poland and the Baltic countries to Hull. Some of them dropped off in Leeds, others went on to Liverpool and America. Passengers were an enormously important part of the trade: cotton, railway rails and machinery filled the holds. A huge commercial system grew up in and around Liverpool, based entirely on the North Atlantic trade and the merchanting, finance, process manufacture, and shipbuilding that went with it.

3. After 1918 the cotton and rail exports never recovered. Come 1935 and the Queen Mary took the passenger traffic away to Southampton. Come 1955 or so and everybody started to fly the Atlantic instead of going by sea. The collapse in Liverpool's commerce was as sudden and catastrophic as the collapse of the British Empire.

4. Today the port of Liverpool is a ghost port, like the port of Glasgow. All it needs is a container base and a few oil/chemical wharves. Today the port of Felixstowe probably handles more trade than Liverpool will ever see again. Yet Felixstowe is shown in the RAC handbook as having a population of 19,800. I cannot imagine how the CPRS calculates that Liverpool's port "supports" 100,000 - 125,000 jobs. If it does, then no wonder that the Mersey Docks and Harbour Company faced imminent bankruptcy earlier this year.

5. The CPRS say that:

"To close the port in the Mersey would be difficult politically, would be expensive in terms of debts and obligations, would be seen as, and probably would be, a major disaster for the whole region".

The comment about debts and obligations is superficial. The debts and obligations are there already. To duck the issue now would simply mean letting the debts get bigger. If there is over-capacity in excess of 100% in the British national port system, something will sooner or later happen. As it did in the case of British Steel.

6. So I reject any strategy based on a future for Liverpool port.

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It has none, Hence it is pointless to set up a joint study to examine ways of encouraging port-related industry on surplus dockland (Summary, 2c).

7. The Report then goes through other regenerative possibilities:

- i. Industry. The CPRS does not demur from the conclusion of most of the industrialists who have tried to operate in and around Liverpool, that the Merseysider is peculiarly unfitted to life in a big industrial plant.
- ii. Service Industries and Finance. The CPRS wonders whether Liverpool might be developed as a centre for service industries and finance:

"Merseyside has already shown itself capable of generating - and retaining - service industries with national markets, eg the UK headquarters of companies in the shipping, insurance, football pools and mail order businesses."

(Para 37)

This is very naive. The Royal Insurance and Ocean Steamship must have started up in Liverpool 150-200 years ago. They would not dream of going there today and they only keep a nominal presence there. The Royal operates from London: Ocean Steam has put most of its tonnage into the OCL consortium sailing out of Tilbury. Football pools and mail order business started up in Liverpool in the days when the men still had work and the women wanted work. They started out being subsidiary to the City's main business: now they are the tail that wags the dog.

So far as finance is concerned, Manchester will always cream off the business of the North West. You cannot build a financial centre on the basis of a huge surplus of unskilled male labour, whether it is Irish Catholic or Mexican Indian.

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- iii. Leisure Industry. I would not like to launch a new leisure business in Liverpool on the basis of "the area's reputation for entertainments, arts and sports and its easy-going character" (Para 42).
- iv. Civil Service. I would not have thought there were many big labour intensive departments like DNS or Giro waiting to be shifted to Merseyside. Maybe there are.
- v. Tourism. The CPRS says "The industry with greatest potential is almost certainly tourism." Surely that is a joke in bad taste. "Fine Victorian city centre, international fame of Beatles, 19th century port heritage, warm and friendly people". Elsewhere we read, rather more realistically, that "the dereliction visible from the main roads of the area is said to be an even greater obstacle to the area's economic development than its strike record". (Para 49).
- vi. Small Business. I wonder. The Report makes the somewhat guarded statement:

"There is said to be a lot of latent entrepreneurial spirit in the Merseyside character if it can be channelled into positive directions."

Certainly small business is the best hope for Merseyside, as it looks like being for all our other depressed areas, and we should look very closely at the balance between our expenditure on enterprise encouragement on the one hand and MSC-type activities on the other. But small business will not take up the enormous slack that exists in Merseyside, neither will it employ the high percentage of young people who, sadly, "leave school with few or no formal qualifications".

8. One really has to go deeper to find the answer to Liverpool's problem, and consider the supply and demand for labour - and hence its price. For historical reasons, here is a great concentration

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of folk whose forebears were drawn there by the magnet of a great commercial system that has simply disappeared. They are no longer needed there in anything like those numbers. They have never been rooted in the land, so they cannot go back to it. The CPRS Report does, here, go to the heart of the matter:

"It might be expected that regional imbalances of this sort would lead to wages falling in the north\* to the point where competitiveness matched that of the south, and, if there were labour shortages in the south, people would move there, or firms from the south would relocate in the north. But the housing market, particularly in the public sector, is very inflexible and there are limits, not least environmental, to the expansion of activity in the south. There are also two factors which tend to inhibit regional wage differentials. The first is the safety net of benefits designed to provide a basic minimum standard throughout the country; second there is a tendency for wage negotiations to be nationally dominated - both employers' and unions' organisations are nationally based, and branch plants of national companies tend to have company-wide wage agreements."

\* we use this term very loosely as a shorthand for those regions with differentially high levels of unemployment.

9. Elsewhere the Report remarks:

"There is a possibility that technological changes will make it increasingly uneconomic to employ unskilled manual labour at any wage above the floor set by welfare benefits". (Para 74)

Surely what has actually happened, as in Ralph Howell's Norfolk, is that the real value of social security benefits has overtaken the real value of an unskilled man's productive potential in Britain today.

10. To my mind it comes down to:

(i) ruthless measures to help the unskilled unemployed price themselves back into jobs, because they will not get them any other way.

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- (ii) having the courage to face up to the fact that Merseyside needs a programme of managed decline.

A programme of managed decline does not exclude efforts towards regeneration. Indeed they must go hand in hand. But it is only a programme of managed decline that can reduce the Merseyside problem to a size that a regeneration policy can hope to cope with.

11. For myself I believe we will have to face up to the "problem" of the South East. Everything points to a substantial movement of people from the North and North West of England to the Midlands, South and South East. There is ample room. One only needs to sit in a train between Berkhampstead and Manchester or between Stevenage and Doncaster to know that that is true. The new towns have, in the main, been splendid successes - from Letchworth onwards. We need a dozen or twenty more, and to fill them with people from the North East and Merseyside. This is how Corby was built up in the 1930s: see how much more successfully Corby has coped with the steel run-down than has Consett or South Wales. This would be a massive undertaking. It would create a lot of new jobs. It would be a great burden on the taxpayer. But Merseyside is already a great burden on the taxpayer, and it will get worse if we erect a whole structure of artificial uneconomic jobs on the basis of some huge regeneration strategy.

12. In conclusion, I disagree with the key Paragraph 6 of the CPRS report, which says:

".....we do not think it is desirable, nor practical politically, to launch an exercise to examine the option of managed decline."

In my view it would be irresponsible not to do so.

*PJ*  
P J CROPPER  
19 June 1981

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*Regional  
Policy  
mtg folder  
Monday  
R.*

CABINET OFFICE  
Central Policy Review Staff

70 Whitehall, London SW1A 2AS Telephone 01-233 7765

From: J. R. Ibbs

Qa 05396

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17 June 1981

*Dear Chancellor,*

CPRS Report on Merseyside

As you know the Prime Minister is reconvening the ad hoc group of Ministers who met on 30 March to take stock of the various initiatives that were in hand to assist Merseyside. At that meeting the group asked the CPRS to investigate further their preliminary views on the Merseyside problems so that Ministers could then decide which of the ideas merited further in-depth examination and by whom. I enclose a copy of our report. A meeting has now been fixed to consider this on Monday 22 June at 5.00 p.m.

The main proposals directed at the problems of Merseyside are as follows (with the lead Department shown in brackets):

*Planning  
Committee - has  
look*

- a. development of the present Inner City Partnership mechanism for Liverpool, to provide an economic development forum for the whole of Merseyside, with the tasks outlined in the report; to be backed up by a small full-time team of central and local government officials (DoE);
- b. a remit to this forum to adopt and implement an agreed development strategy on the lines described in the report (DoE);
- c. a joint exercise by the Department of Industry and local authorities to market Merseyside for financial and leisure industries, making full use of the Office and Service Industries Incentives Scheme (DoE);

The Rt Hon Sir Geoffrey Howe QC MP  
H M Treasury  
S W 1

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- d. a request to the English Tourist Board to consider mounting with local agencies a tourism development programme for Merseyside (D/Trade);
  - e. a joint study by the port authority and the Merseyside Development Corporation to examine ways of encouraging port-related industry on surplus dockland (DoE, D/Transport);
  - f. development of special employment and training measures (DE, MSC).
3. Two proposals for more general reviews which could benefit Merseyside in the longer term are:-
- a. a review of the national ports system, which would incidentally provide a context for decisions on the future of the port of Liverpool;
  - b. reconsideration of the functions of the two tiers of local government in the Metropolitan Counties.
4. Finally, on the evidence from our study of Merseyside, we propose that Ministers should consider setting up a review of regional policy, with the aim of promoting employment of all kinds in the most hard-pressed regions, rather than having nearly all the emphasis on manufacturing industry. (The review which we have in mind would primarily focus on changes which might be made in the next Parliament. I agree with the E(EA) view that there is no case for an early change in regional policy this year so far as the Assisted Area map is concerned).
5. The purpose of the meeting on 22 June will be -
- a. to consider whether to invite the Departments concerned to take action as recommended on the proposals directed

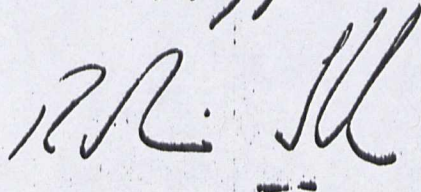
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specifically at Merseyside;

b. to discuss the more general issues raised by the study, and whether they should be pursued further in a wider forum, such as E Committee with the "territorial" Ministers present.

6. I am sending a copy of this letter to other Ministers who attended the 30 March meeting.

*yours sincerely,*



J R Ibbs

Copies: S/S for the Environment  
S/S for Employment  
S/S for Transport  
S/S for Industry  
S/S for Trade  
Sir Robert Armstrong.

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10 DOWNING STREET

From the Private Secretary

file Regional Policy

BF 29/6

MR. IBBS

TPM/d

The Prime Minister was grateful for your minute of 10 June with which you enclosed the completed study on Merseyside. She would like the study to be considered as soon as possible by the Ad Hoc Group of Ministers that met before, and she would be grateful therefore if you would arrange for the study to be circulated. We will be in touch with Departments to arrange the meeting.

B/F. 1

I am sending a copy of this minute to David Wright (Cabinet Office).

I. B. LANKESTER

15 June 1981

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cc Mr. Lankester  
Mr. Hoskyns

10 DOWNING STREET

MR. IBBS

MERSEYSIDE

Although I agree with much of the analysis and many of the proposals of your paper, I do think that there is insufficient emphasis on the main cause of Mersey unemployment, that is to say the wage levels are too high. As Professor Patrick Minford remarked in his evidence to the House of Commons Committee on the Treasury and Civil Service, no manufacturer would choose to locate in Liverpool where he has to pay high wages for poor quality labour. One would have expected that the more recent employment protection measures and practices would exacerbate the unemployment, since the likelihood of "bad practices" being experienced with Liverpool labour is higher than with any other labour force.

But many of the measures, such as encouraging small business, are conducive to reducing wages. But some of your measures are not. In particular the redistribution of more public jobs to the area (para 13 measure number 2) would promote unionised employment at high wages. These would be seen as the target by trade unions, wages councils, and similar bodies which are concerned with distorting the labour markets. Essentially, I do not think there will be any revival in Merseyside until the grip of militant unionism is relaxed.

I think there is a good case for taking another look at port policy generally. It is now more than a decade since the Rochdale Committee reported. Great changes have taken place in the technology of ports and shipping. And the structure and behaviour of dock labour differs dramatically, for example between Felixstowe and Mersey.

11 June 1981

ALAN WALTERS

✓ Mr Duggan  
Mr Walters

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Admin Minister  
I think this  
report needs to  
be considered

Qa 05385

To: MR LANKESTER

From: J R IBBS

Report must  
go to ad hoc  
group of Ministers. I hope  
ad hoc group of  
Ministers met  
10 June 1981  
before. Can we  
set this up and  
circulate the report -  
which looks good?  
M-H  
I shall have to find  
him rec'd responsibility  
for Merseyside

MERSEYSIDE

1. I attach the CPRS report on Merseyside which was commissioned by the ad hoc meeting of Ministers which the Prime Minister chaired on 30 March. We were asked to investigate further our preliminary ideas on Merseyside so that Ministers could then decide which of the ideas merited further in-depth examination and by whom.

2. The main proposals directed at the problems of Merseyside are:-

- a. development of the present Inner City Partnership mechanism for Liverpool, to provide an economic development forum for the whole of Merseyside, with the tasks outlined in the report; to be backed up by a small full time team of central and local government officials;
- b. a remit to this forum to adopt and implement an agreed development strategy on the lines described in the report;
- c. a joint exercise by the Department of Industry and local authorities to market Merseyside for financial and leisure industries, making full use of the Office and Service Industries Incentives Scheme;
- d. a request to the English Tourist Board to consider mounting with local agencies a tourism development programme for Merseyside;
- e. a joint study by the port authority and the Merseyside Development Corporation to examine ways of encouraging port-related industry on surplus dockland;

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f. development of special employment and training measures.

3. Two proposals for more general reviews which could benefit Merseyside in the longer term are:-

a. a review of the national ports system, which would incidentally provide a context for decisions on the future of the port of Liverpool;

b. reconsideration of the functions of the 2 tiers of local government in the Metropolitan Counties.

*3 reviews!!*

4. Finally, on the evidence from our study of Merseyside, we propose that Ministers should consider setting up a review of regional policy, with the aim of promoting employment of all kinds in the most hard pressed regions, rather than having nearly all the emphasis on manufacture. (The review which we have in mind would primarily focus on changes which might be made in the next Parliament. I agree with Mr Tebbit's recent proposal to E(EA) that there is no case for an early change in regional policy this year so far as the Assisted Area map is concerned).

5. The Prime Minister will no doubt wish to consider how to handle the report. For the present I am not sending copies to the other Ministers who attended the meeting on 30 March. One possibility would be to reconvene that group to consider the special problems of Merseyside, and then, if agreed, to take the wider proposal on a review of regional policy (which affects others such as the territorial Ministers) to E Committee.

6. However, if the Prime Minister is content, I see advantage in circulating the report fairly soon because it has some bearing on a number of other issues currently being examined, such as unemployment,



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ports and local authority assistance to industry.

7. A copy of this minute and the report goes to Sir Robert Armstrong.

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MERSEYSIDE - A REGIONAL POLICY CASE STUDY

Report by the Central Policy Review Staff

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MERSEYSIDE - A REGIONAL POLICY CASE STUDY  
Report by the Central Policy Review Staff

INTRODUCTION AND SUMMARY

S1. This report was prepared at the request of an ad hoc group of Ministers which met under the Prime Minister's chairmanship on 30 March. It develops some ideas, which the CPRS had prepared for that meeting, for measures to tackle the economic problems of Merseyside (Parts 1, 2, 3) and points to some wider conclusions for regional policy (Part 4).

General Conclusions

S2. Merseyside's problems cannot be divorced from those of the UK economy as a whole. A return to economic growth and an improvement in our international competitiveness would do more for Merseyside than any special measures we have been able to suggest. Without such a general improvement a major problem on Merseyside is likely to remain. But there is also some reason to believe that, in a national recovery, Merseyside might not pick up to the same extent as other depressed areas.

S3. Merseyside shares with other assisted areas a number of special problems:

- the economic forces which gave rise to its growth in the 19th century have disappeared, leaving it without a raison d'etre
- the 20th century manufacturing industries which have developed there, under the influence of government regional policy, have failed to provide an adequate economic base and are now also in decline, at least as a source of employment.
- selective emigration from the area has led to an unbalanced population structure with a large unskilled element.

S4. While Merseyside is not unique in these respects it does constitute (along with Clydeside and Tyneside) one of the largest areas of urban and economic decline. It still has a population of nearly 1.5 million.

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S5. In some respects, Merseyside's problems are highly distinctive:

- because it grew up as a port it had no early tradition of factory work and it has proved comparatively unsuitable for large manufacturing plants.
- a history of high natural increase among its large Irish Catholic population, together with the lack of skilled jobs, has aggravated the problem of surplus unskilled labour
- by tradition the area is best suited to be a centre of service industry but regional policy has had a negligible impact on the national distribution of service employment
- rivalry between local authorities, together with fragmentation of central government effort, prevents the best use of the resources that could be concentrated on improving the area.

S6. All these problems have led to very high levels of unemployment - about twice the national average ever since the war. There are now 114 thousand people unemployed in Merseyside, including 20 per cent of the male work force. Even Merseyside's famed resilience and good humour is unlikely to withstand chronic high unemployment - with individuals facing continuous months and years without work. For the young in particular, there is a clear risk that extensive unemployment will have a serious alienating effect.

S7. The proposals we make in this report do not add up to a "solution". The size of the problem is such that there is no action that will have a major impact on the overall level of unemployment in Merseyside in the short to medium term. Hence we think that policy changes now need to be examined which could affect the longer term outcome. Emigration and high unemployment are likely to continue despite the government's initiative in establishing a dockland development corporation and an enterprise zone. The Structure Plan, approved by the Secretary of State for the Environment, which is designed to stabilise the area's population, is likely to fail primarily because of lack of economic activity but also because available public resources are likely to be insufficient to upgrade the derelict environment and outworn fabric of the old urban areas.



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- S8. The risk is that at some point decline will become irreversible. For example, Liverpool's commercial centre and modern transport network are already underused. Eventually decline may reach the stage where parts of the transport network have to be mothballed, and large stores, newspapers, theatres etc close down so that the city's commercial and cultural life is undermined. Our national income support mechanisms, by putting spending power in the pockets of the unemployed and the inactive, help to delay this process but cannot reverse it.
- S9. It is likely to be true of other areas as well as Merseyside that the process of urban and economic decline cannot be stemmed within the framework of present policies and national economic constraints. There is a compelling national argument for allowing internationally competing industries to operate where they would best thrive. This, with the overall shortage of jobs and rigidities in the labour market, reinforce the tendency for some old city regions of the north to become denuded of employment and to end up as refuges of the unemployed, the old and the disadvantaged. Our remote rural regions have gone through this process. But the social problems which arise when the disadvantaged are heavily concentrated in run-down urban environments are altogether more serious. Moreover, it would be short-sighted to let major city regions like Merseyside go into irreversible decline particularly when this is likely to mean further overstrain, eg on land and infrastructure resources, in the south-east.
- S10. These wider considerations amount in our view to a case for a review of regional policy (Part 4, para 71). This should start from the recognition that with a prospect of continuing high unemployment (particularly for the unskilled), the primary purpose of regional policy should be the social one of responding to the regions' need for employment. The present policy is a cross between a regional employment policy and a policy for increasing national industrial competitiveness, and it achieves neither objective particularly well. A new policy should reinforce the moves already made to put less emphasis on the relocation

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of manufacturing investment and more on the encouragement of small firms and service industries in the regions. Further issues to be considered include the scope for reducing real wages in the regions as well as the effect of market distortions which positively favour location in the South East, notably the British Rail commuter subsidy; remission on a regional basis of employment-related taxes (eg NI surcharge); and a renewed attempt to decentralise civil service and other public sector jobs.

S11. Before launching such a review Ministers would of course want to satisfy themselves that our conclusions, drawn primarily from study of Merseyside, have a wider relevance. Some further work may be needed to establish this.

Specific Proposals for Merseyside

S12. Part 1 of the report presents the outline of a new economic development strategy (para 13) which we think offers a somewhat better chance of regenerating the region's economy than present arrangements which rely heavily on encouraging manufacturing activities. This new strategy would:

- reinforce the current emphasis on local industry and small firms
- promote service industries, including financial and leisure services and tourism
- optimise the use of the port
- ensure more training for skills and a further development of special employment measures

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S13. Two of these elements merit additional comment:

- The port of Liverpool is in a shaky financial state yet remains of major significance to the local economy. There is substantial national overcapacity at ports yet no market or Government mechanism exists for rationalising this in a way which makes sense for the economy as a whole. The market is also distorted by subsidies enjoyed by European ports. It seems desirable that when Ministers next review the future of the Mersey Docks and Harbour Company they should be able to do so in the context of a picture of the desirable future shape of the UK ports industry (taking into account regional objectives). (Paras 52 - 61)
  
- Although urban Merseyside has more than its fair share of urban squalor, it also has surprisingly unexploited potential for the development of tourism, based on the world-wide fame of the port, the Beatles and its football, allied to the accessibility of more conventional tourist attractions on the Wirral and Lancashire coast and all the amenities of a big city centre with some splendid Victorian architecture. It is also a good centre for visiting North Wales and the Lake District. We see merit in the preparation of a tourism development plan for the area and suggest that the English Tourist Board should be consulted about the feasibility of putting together a worthwhile package. (Paras 45 - 48)

S14. There is some modest scope for implementing the proposed strategy within the framework of present national policies and public expenditure constraints. We recommend that a strategy forum should be established on Merseyside (to be formed by adaptation of the present Liverpool inner city partnership), with the support of a full-time seconded team of central and local government officials, to get a strategy implemented on these lines (Paras 20 - 23). This would have the merit of focussing the activities of the multifarious bodies charged with aspects of the area's development. It could also direct attention to the possibility of using the public resources currently being spent in the area to better effect.

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S15. A strategy forum might not, however, be able to overcome what we suspect are inherent weaknesses in the distribution of functions within Metropolitan County areas between the two tiers of local government. This may need reconsideration on a wider basis (Para-19).

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PART 1. AN ECONOMIC DEVELOPMENT STRATEGY FOR MERSEYSIDE

The need for an economic strategy

1. In our earlier note, we expressed concern about the future of Merseyside. The Structure Plan for the area, produced by the County Council and approved by the Secretary of State for the Environment in November 1980, has the aim of stabilising the area's population by regenerating the urban parts of the County. It is heavily dependent on the input of public resources to rehabilitate the inner urban environment. Further, as it is a land use based plan, it assumes that the provision of sites for industry, together with the current types of financial incentives, would be sufficient to induce the industrial growth needed to regenerate the local economy. It seemed to us that the plan paid inadequate attention to economic reality. Recent history shows that there has been a marked lack of success in attracting industry to the area - or even in holding on to existing industry.

2. We therefore thought there should be an assessment of the validity of the economic assumptions, paying attention to the area's history, and to the evidence about the likely effectiveness of the current instruments available to influence investment decisions. This would either:

- confirm 'regeneration' as a reasonable goal, but with an indication of what form of regeneration it would be realistic to aim at, and of what policy changes (if any) would be needed to maximise the chances of success; or:
- recognise that regeneration was an unrealistic goal, and that the approach needed to be one of managed decline but with an indication of the ways to moderate its social impact.

The outcome of the assessment - the conclusion about what is a realistic goal, and the indications of the ways it might best be pursued - would form an economic development strategy for the area.

The alternative to economic regeneration

3. We found, not surprisingly, that, although our pessimism about the area's future economic prospects was widely shared, there was also widespread agreement that the possibility of a strategy based on decline would be unacceptable. For example, in the Examination in Public of the Structure Plan, the panel of inspectors expressed fears that the uncompetitiveness of local industry and commerce, together with the shortage of public funds (particularly for housing and public transport) might cause the regeneration strategy to fail. But the panel described the consequences of such a failure as "horrificing in terms of individual misery, social unrest and, eventually, cash"; this led them to endorse the regeneration strategy despite their fears.

4. We appreciate the difficulties. Areas of high unemployment tend to have a relatively high level of emigration. It tends to be the more highly skilled and economically productive who leave. If this process becomes significant in terms of the total population of an area, then eventually the decline becomes self reinforcing; the area becomes more unattractive for companies, unemployment rises, the next tranche of skilled workers leave and so the area becomes still more unattractive. But in a country with a developed welfare system, particularly when mobility is restricted by inflexible public housing, an area does not dwindle to nothing; in extremis, the end result would be a city largely consisting of the unskilled, the elderly, the disabled, one parent families, and the socially inadequate - and the public sector employees to service them.

5. A similar process took place in the drift away from the rural areas during the industrial revolution. Today our remotest rural areas exhibit many of the population characteristics just described. But when urban areas decline the heavy concentrations of socially inadequate and dependent people create problems of an altogether greater order. This process has already occurred in some of our inner city areas, but it has not yet embraced an entire city region. For Merseyside, or some of the other older industrial areas, such an outcome is possible. If so,

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the current support services and income redistribution mechanisms would be inadequate to prevent the social unrest and massive human misery which would be likely to result. They would need to be supplemented by a range of services and activities, which would not be able to be funded locally, one of the main purposes of which would be just to keep people occupied in a way that avoided discontent.

6. We agree that such a scenario is unacceptable if it can be avoided. To avoid it, action is needed before a point of no return is reached. We do not think Merseyside is yet in that desperate position. But in the light of the above arguments we do not think it is desirable, nor practical politically, to launch an exercise to examine the option of managed decline. However, like the panel of inspectors, we suspect the consequences of the failure of a regeneration strategy would be grave. From this we conclude that it is important to know what form of economic regeneration is most likely to succeed, and to follow this through by identifying, and implementing, the policy changes needed to create a reasonable chance of success.

What form of economic regeneration?

7. We found strong support for the view that a strategy for Merseyside would/<sup>only</sup>be realistic if it stemmed from an appreciation of the area's distinctive history. The vital point is that Merseyside is not an "old industrial area" in the conventional sense. Its growth was based on the development of the port and associated trade and commerce, notably shipping and insurance. But there is little or no engineering tradition. The manual labour force, which chiefly came from an agricultural background in Ireland, typically found outdoor casual work in the docks and ancillary trades, or went to sea.

8. The port, and thus Merseyside as a whole, has been in decline since the inter-war period. The area's unemployment rate has been about twice the national average since the war. In recognition of its problems some parts of the area have had special status in one form or another since 1936, with a brief gap in the early 1960s. It was only after the war

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that industrialisation, in the sense of the regular discipline of factory work, really came to Merseyside. There was undoubtedly a failure to appreciate the size of the managerial and educational task entailed in accustoming the labour force to factory work. This must have contributed to the bad labour relations and absenteeism which have now blighted, perhaps irreparably, the area's ability to attract major investment projects.

9. It is important, however, not to overlook Merseyside's initial success in attracting large manufacturing industry although the plants attracted were branch ones, with a lack of local decision-makers. Perhaps more important, the branch plants introduced relatively high wages, thereby preventing the area from developing a competitive advantage in labour costs over areas where labour was more scarce, and this presumably contributed to the demise of some small local firms which were starved of key workers.

10. In the past few years there has been a spate of closures and major redundancies among Merseyside's post-war industries. This primarily reflects the loss of competitiveness of British industry. But branches in Merseyside have been especially vulnerable, often because of their low labour productivity. There is widespread recognition that, given the secular decline of manufacturing employment and the short supply of mobile projects, Merseyside will have to look in other directions for its salvation.

11. Hence our view that it is not realistic to expect, as the Structure Plan does, that economic regeneration will occur largely as a result of providing industrial sites and premises, and of relying on the current types of industrial assistance. Such policies have failed to halt the decline and there seems little reason to think that they are likely to be more successful in the future. Indeed we found a significant body of opinion which held that even a general upturn in the national economy would not benefit Merseyside as much as other areas whose circumstances at present look similar, but which have a stronger history of, and better reputation for, manufacturing industry.

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12. We have discussed these problems, and the merits of producing an economic strategy, with representatives of Merseyside's business community including the Mersey Docks and Harbour Company, and with senior officials of local and central government in the area, including the Merseyside Development Corporation and the Manpower Services Commission. We found almost universal support for the idea of producing an economic strategy in the terms in which we have described it (para 2): the main purpose of the strategy were seen to be:

- to secure commitment from the main agencies concerned, including those of central government, to an agreed set of priorities for economic regeneration;
- to enable the agencies to use these priorities to assess how each needed to reorientate its own policies;
- to ensure co-ordination and co-operation in seeking to implement these priorities.

13. We also found a high level of agreement about the main elements of an economic strategy. As a result of our discussions, we think the main strands should be:

1. reinforce the current emphasis on local industry and small firms concentrating efforts to make maximum use of existing industrial sites (eg in the old industrial estates);
2. promote service industry activities (including financial and leisure services and tourism); and to redistribute more public jobs to the area;
3. encourage maximum use of the facilities provided by the port;
4. develop training programmes geared to help with 1.-4. above.

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14. Part 2 below discusses the way in which the present institutions would need to be supplemented in order to maximise the chance of the strategy succeeding. For the main strands of the strategy, Part 3 outlines some proposals and their implications for policy in the light of the strategy.

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PART 2

INSTITUTIONAL ARRANGEMENTS FOR IMPLEMENTATION

The current position

15. There is a widespread view within the local business community that the problems of Merseyside cannot be tackled effectively within the existing institutional framework. The main points of concern are the fragmentation and remoteness of the central government departments, and the rivalries and duplications of the two tiers of local government.

16. There are two criticisms that can, with some justification, be levelled at the way central government plays its role for Merseyside. First, the fragmentation of central government's industrial development functions in the area was said to create confusion for companies, and to inhibit a close partnership between local and central government. For example under the aegis of Department of Industry (DI) alone there are the English Industrial Estates Corporation; the DI Small Firms Advisory Service; the Regional Development Grants Office; the Regional Industrial Development Office (providing selective assistance); and the North West regional office of the NEB. On top of this there is the DOE's enterprise team, the Enterprise Zone, the Merseyside Development Corporation (MDC) and the urban programme, and the MSC's Community Enterprise Programme.

17. Second, central government rarely plays its role for Merseyside in Merseyside. Virtually all the regional offices are based in Manchester (almost anywhere else would be better from a Merseysider's point of view!) We consider that a local presence is important, not just as a gesture, but because we think there is a need for a greater understanding of, and commitment to, Merseyside's problems than can be obtained from offices in Manchester. The MSC, with its substantial local presence and its Special Programmes Area Board for Merseyside, is largely exempt from this criticism.

18. But perhaps more serious is the undoubted friction between the two tiers of local government, especially between the Liverpool City and the County Council. Relations between the two councils are aggravated by the lack of clear political control in Liverpool City. This creates uncertainty and lack of clear communication at the political level. In functional terms, the County is the strategic planning authority and attempts to assist economic development, although its only major executive function is transport. The City on the other hand has a wide range of executive functions (eg education, housing, social services). It is the local planning authority and overlaps the County's strategic planning functions. The City pursues industrial development functions which closely parallel those of the County.

19. In our view there is a case for examining the functions of local government within Merseyside, particularly those related to economic development. It seems likely that Merseyside provides an illustration of a wider problem which may well exist in all the Metropolitan county areas. We think the Government should reexamine the structure of local government in the Metropolitan Counties. They could consider the option of rationalising functions and improving working relationships within the existing structure, as the Stodart Report has recently done for Scotland; but they could also consider simplification to a single tier system. Obviously, such changes would only be likely to affect Merseyside in the medium to longer term.

#### The need for a strategy forum

20. Merseyside's immediate need is to have all the existing agencies concerned with its future pulling in the same direction. We found much concern that there is no mechanism for ensuring that the agencies co-ordinate their efforts. Para 12 above sets out the three main purposes for having an economic strategy. We think that to achieve these purposes a forum is needed embracing the main agencies. Its first task would be to give formal endorsement to the elements of the strategy.

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21. The concept required is one of true partnership between all the agencies. The current inner city partnership offers a good basis on which to build and would avoid setting up major new machinery. Its scope would need to be expanded to cover those agencies not currently involved and would need a remit wider than the partnership area, perhaps covering the whole of Merseyside. The forum would need to have an outside chairman. As the present inner city partnership is chaired by the Secretary of State for the Environment, clearly one possibility is that he should chair the Merseyside forum.

22. Much closer links are also needed at official level, not least so that ideas can be exchanged and developed, initially free from political constraints. We think that the most effective arrangement would be a small team of high level people based in Merseyside (not Manchester!). We suggest this team should consist of no more than about five individuals, each seconded from one of the main agencies involved (eg one each from DOE, DI, MSC, Merseyside County and Liverpool City). The Leith Project Agreement developed by the Scottish Development Agency provides a good model for joint working on an economic strategy using a seconded team. One of the main functions of the project team would be to service the Merseyside forum. This would help minimise the risk that each party would just fight their own corner.

23. We suggest that DOE should be invited to examine, perhaps in conjunction with the local authorities, ways in which the present partnership arrangement could be developed and streamlined to enable it to become the forum for Merseyside as a whole. This examination should also cover the arrangements for the high level team of officials.

The main tasks of the forum and its project team

24. The main tasks of the forum would centre on the economic development strategy. The essence of its function would be to ensure that the purposes of having an agreed strategy (as listed in para 12) were achieved. There were three:

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a. endorsement of an agreed strategy

25. It is important that an economic development strategy should be agreed by those agencies that will be responsible for implementing it. Indeed there is always some advantage in their producing it. We doubt, however, if there would be agreement locally as to who should take the lead in producing a strategy. Given also that we found a high degree of agreement on the elements of our proposed strategy we suggest that DOE should use it as a basis for consultation in the forum. After discussion and refinement the forum would be expected to endorse publicly its agreed strategy.

b. implications for policies

26. The next step would be for each agency to examine the ways in which its policies needed to be adapted in order to promote the strategy. The project team would act as catalysts/consultants with the agencies for this purpose. For central government there would be two levels of investigation. The Merseyside team members would be asked to identify useful changes which could be accommodated within the present general framework ie without legislation and within public expenditure plans. A sensible starting point would be to establish how much public money is already being spent in the area and for what purpose.

27. But we think this should be paralleled by a fundamental Whitehall review of regional policy. Although we have emphasised the distinctiveness of Merseyside, it is representative of a more general problem: how to ensure that city regions which have outlived their original economic raison d'etre can survive as self sustaining communities in the longer term. We discuss this wider problem in Part 4.

c. co-ordination and co-operation

28. Creation of the forum and a strong lead by DOE will be vitally important.

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European Community (EC)

29. Merseyside accounts for a significant part of UK receipts from EC-non-agricultural funds. Between 1975 and March 1981 it received nearly £80 million from the European Regional Development Fund, in commitments to industrial or infrastructure projects. It also accounts for a significant (but unquantified) proportion of receipts from the European Social Fund, which assists training and special employment measures like the Youth Opportunities Programme. Since EC receipts are used to replace, rather than augment, UK sources of public funding, the size of Merseyside's EC receipts does not directly affect the scale of resources devoted to the area's problems.

30. The current priority of national policy is to ensure that the UK continues to be a net beneficiary of both funds after enlargement of the EC. The aim is to persuade the Community to attach a high priority to factors of industrial decline associated with urban decline, as criteria for either or both funds. It will be important that the criteria of industrial decline are wide enough to embrace Merseyside which, as we have seen, lacks the traditional declining manufacturing industries (except shipbuilding), but whose decline as a port is partly the indirect result of structural change in the north west. This should be achieved if, as seems likely, population decline is adopted as a surrogate for industrial decline. In addition it may be desirable to present Merseyside to the EC as an area whose structural problems (viz the port's decline) arise in large part from the UK's accession to the EC and the consequent changes in the pattern of UK trade. This could help the presentation of the UK's case for having parts of mainland Britain accorded special priority status by the EC. At present only Northern Ireland has this status.

PART 3: ELEMENTS OF A STRATEGYa. Local industry and small firms

31. At present in Merseyside as in most other localities, there is increasing emphasis on the encouragement of local enterprises, particularly new and small businesses. We support this trend and believe it should be reinforced. One reason is that local businesses are more likely than branch plants to be able to achieve a reduction in the real cost of labour. The development agencies are optimistic about Merseyside's potential in this field. There is said to be a lot of latent entrepreneurial spirit in the Merseyside character if it can be channelled in positive directions. DI and the local authorities report, for example, a brisk demand for small factories and workshops, although it is hard to know to what extent this creates jobs rather than simply preserves them by improving the operating environment of existing enterprises.

32. It seems to us that if indigenous industry is to contribute to the salvation of regions like Merseyside, then the Government development agencies need to take the initiative and seek out opportunities for exploiting growth potential and remedying weaknesses among local enterprises. The recent establishment of a local technological innovation centre is a welcome step in this direction. But there is nothing in Merseyside to compare with the resources and co-ordination which the Scottish and Welsh Development Agencies can bring to bear on similar problems. In England this role is largely being left to the local community and there is no focal point corresponding to those Agencies.

33. Southwark Council in London does some impressive work in this field. A small but competent team (2-3 men), acts as consultants and brokers for existing (mostly small) firms in their area. They are not simply reactive; but, for a selection of local employers, they investigate the business environment in which they operate, and, initially only from published information, examine their likely future. If problems are foreseen the firm is approached and discussions and advice are offered. A broking service is offered if external finance is needed. The Council is prepared to act as guarantor, or lender of last resort, for projects which an advisory group of businessmen consider to be basically viable but which cannot attract commercial finance.

34. The team seems to have been very successful: a number of reasons are given:



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- (1) it is not reactive, but goes out to look for local firms that need help;
- (2) it is very well informed about local conditions and issues, and is seen to be committed to the area;
- (3) it is seen to be impartial, and it is a free service to the firms;
- (4) the businessman leading it is very experienced and has many high level contacts in large national companies.

35. The extent to which local authorities should engage in these and similar activities is a matter on which the Secretary of State for the Environment will shortly be putting proposals to E(EA) committee. We do not attempt to cover the arguments here. It does seem to us, however, that Merseyside would benefit from having a service similar to that which Southwark provides. While the private sector can - and should - provide elements of the package there is probable a need - initially - for public or community initiative to put the package together. The need for local knowledge and continuing local commitment points to a key role for local authorities. But if it were left solely to local authorities (with no input of central government resources) Merseyside and areas like it might lose out compared with authorities in the South and the Midlands because of less easy access to sources of business expertise and influence ((4) above).

36. Some way needs to be found for bringing the professional expertise and contacts of outfits like the NEB and ICFC more effectively to bear on local problems. The strategy forum and team proposed in Part 2 could play a role in this. But changes in the structure and role of institutions may also be needed; this is partly a question of empowering some agency to combine access to risk capital with the active troubleshooting, consultancy and management help which are perhaps an even greater need for small firms. But it may also call for a new approach to the tasks. Instead of equal help being given to all parts of the North West region at all times, each smaller labour-market area could be the focus of an all-out campaign in turn.

b. Service Industries

General considerations

37. There are a number of reasons for thinking that Merseyside should put more emphasis on trying to develop its service sector. These include the fact that service industries are growing faster in national terms and that Merseyside has already shown itself capable of generating - and retaining - service industries with national markets e.g. the UK headquarters of

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companies in the shipping, insurance, football pools and mail order businesses. Also, while the manufacturing sector in Merseyside is blighted by its labour relations record, the predominantly female labour force of these service businesses has a good reputation.

38. Merseyside has a number of useful assets as a service centre. These include Liverpool's convenient city centre, with a good supply of both modern office premises and attractive old commercial buildings; good rail, motorway and air communications with the South East; a large labour catchment sustained by a modern public transport network; readily accessible high amenity housing in the Wirral and Southport; and a nucleus of financial services including a stock exchange and branches of the Bank of England and ICFC.

39. It is difficult to judge, however, how big a contribution service industries might make. To add to the area's income and employment they must serve a wider than local market, compete successfully with services at present bought in from outside or add to the efficiency of local industry.

40. The main obstacle to this is the greater attractive power of the South East for services. Service industries tend to cluster together to secure information and contacts - except where they are primarily routine clerical activities. A 1979 EC study of the service sector's role in regional policy concluded that the effective decentralisation of services from capital city regions would require the creation of a limited number of provincial service centres, where enterprises in allied activities could cluster together. We are attracted by the logic of this approach, although it would involve difficult - and politically controversial - choices.

41. If such a policy were to be adopted it would have to be decided whether Merseyside, or Manchester, or both should be chosen as service industry reception centres. Manchester, with its gateway international airport, its regional administration role, and its greater size might provide a more convincing alternative to London for a wide range of service activities.

42. Since, however, we do not currently have such a selective policy, it seems reasonable to think of developing in Merseyside those industries in which it may have certain natural advantages. The industry with greatest potential is almost certainly tourism; it requires a rather special approach,

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described in paragraphs 45-48 below. For the rest we would be inclined to pick on financial services and leisure industries, the first because of the commercial strengths derived originally from the port and described in paragraphs 37 and 38, the second because of the area's reputation for entertainments, arts and sports and its easy-going character. We have in mind such things as arts and sports administration, broadcasting, music publishing and recording.

43. We think that the Department of Industry should get together with the authorities in Merseyside to market the area for such services, making full use of the office and service industry incentives scheme (OSIS). On the face of it this scheme now provides reasonably generous incentives (discretionary grants of up to £8,000 per job created in Special Development Areas plus relocation assistance for transferred staff), and it has recently been extended to cover projects which improve the services available to local industry. The scheme is not energetically publicised, however, because its budget is tiny (£5 m for all the Assisted Areas).

44. Our proposal to exploit the full potential of the OSIS scheme - at least in Merseyside, as a pilot project - would have some implications for public expenditure. But we see no point in improving a scheme of this kind and keeping it under wraps. A pilot promotional exercise could have the incidental advantage of revealing ways in which the package of measures for service industries might need to be improved.

Tourism

45. Perhaps surprisingly in view of the area's environmental problems Merseyside has considerable growth potential for tourism. An estimated 1 million tourists already visit Merseyside each year, spending about £40 million and helping to support an estimated 10,000 jobs. The English Tourist Board (ETB) considers Merseyside's tourism potential to be much greater than that of other older urban areas. Merseyside has many assets as a tourist centre. Liverpool has a fine Victorian city centre with a full range of city amenities; warm and friendly people with a unique character; a reputation for entertainment, humour and sport including the international fame of the Beatles; and its 19th century port heritage. There are coastal resorts and famous golf courses within the county itself; and good communications with places already on the tourism map e.g. Chester, the Peak District, North Wales, the Lakes.

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46. We think that a major effort should be made to exploit and enhance the area's tourism potential, particularly its international appeal.

The Merseyside Development Corporation are already planning a significant role for tourism-related developments, along with industry, in their plans for the South Docks area - and the County Council and the ETB have recently set up a maritime museum.

47. What is now needed is to:

- ensure that all the agencies in the area recognise the importance of tourism and adjust their priorities accordingly;
- assess the feasibility of a more ambitious tourism development programme, including, for example, a programme of special annual events e.g. an arts festival; specific tourist attractions e.g. and indoor ports centre, a maritime 'theme' park; and more low cost accommodation for the young.

48. One way of achieving this might be to invite the ETB, in conjunction with the proposed Merseyside strategy forum to prepare a tourism development plan. This could be regarded as a pilot exercise for the development of tourism in other older urban areas. Before deciding whether to commission such an initiative, it would be desirable to consult the ETB about the budget which would be needed to make a worthwhile impact and to consider how this might be put together. We would see advantage in a 4 way sharing of funding between the County Council, the MDC, the ETB and the local business community (the latter in recognition of the extra income which it could expect to receive).

#### Infrastructure and Environment

49. If the promotion of service industries is to be seriously pursued it will be necessary to give much higher priority to the "beautifying" of urban Merseyside, particularly those parts of it which are seen by the visitor. This is true not only for tourism but for all services - indeed economic development in general. The dereliction visible from the main roads of the area is said to be an even greater obstacle to the area's economic development than its strike record. Businessmen were full of praise for the tree planting and landscaping done by the inner city partnership and wanted to see more of it. This has implications for land use policy. Given the surplus of industrial space in Merseyside, it is important not to assume that whenever a factory becomes vacant it should be kept in industrial use without first considering whether it would make a better economic contribution to the area if landscaped or turned into a park.

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50. Other priorities should be removing river pollution and rescuing some high quality 19th century housing which is decaying to the point where demolition may soon be required. It may be that the Environment Secretary's plans to encourage private house building backed by local authority guarantee could be adapted to ensure the renovation of such dwellings for sale by the private sector.

51. In the light of our investigations we now think that, given the proximity of Manchester's international airport, development of Liverpool's airport (Speke) is not a vital element of a service or tourism strategy. We comment on the position of the airport in Annex A.

c. The Port

Background

52. The Port of Liverpool is not simply a service industry: it was the original reason for Merseyside's development, and its decline is at the root of Merseyside's problems. It has had a major influence on the type of economic development that has taken place, and it has helped to give the area its unique character, both in physical terms and in terms of the idiosyncratic attitudes of the people. But international patterns of travel and of trade have changed; the focus for trade has shifted to the south and east due in recent years to the increased orientation towards Europe. The port of Liverpool has declined as a result and with it the fortunes of the area. It can never regain its former pre-eminence, indeed the decline is projected to continue: Ores for BSC will cease to form part of the traffic in 1981, sugar in 1982, and coal is expected to cease by 1985.

53. But nevertheless the port is still important to the economy of the region, supporting perhaps 100,000-125,000 jobs - equivalent to more than 15 per cent of the work force in Merseyside. It also has significant assets. Seaforth has been developed as a major deep sea container dock, it is within easy reach of an extensive motorway network, close to major population centres and is Britain's largest west coast port through which, for example, more than 50 per cent of the nation's grain imports pass.

The Port Authority

54. We do not think these assets are sufficiently well marketed in any efforts to attract industries to the area which would take advantage of them. The marketing efforts, both of the port authority - the Mersey Docks and Harbour Company (MDHC) - and other local agencies, tend to emphasise the port merely as a doorway to, or from, the rest of the country. By

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contrast, many north European ports are treated as economic generators for their area rather than simply as commercial enterprise. We think more should be made of the port in this way and Annex B outlines the direction that might be encouraged. We see particular scope in the south half of the north docks and suggest a joint study and promotion by the MDHC and the new Urban Development Corporation.

55. But in the immediate future, the question for the Government to address will be whether the MDHC can survive and in what form. Faced with the company's imminent bankruptcy earlier this year the Government decided to finance a special severance scheme to reduce one of the historical liabilities of the company - its surplus labour force - and thus to reduce its costs. The scheme has been broadly successful but the financial position of the company remains shaky. We suggest (see Annex B) that Government help may be needed with other historical liabilities - viz its statutory responsibility for a number of bridges, roads and sewers.

56. To close the port in the Mersey would be difficult politically, would be expensive in terms of debts and obligations, would be seen as, and probably would be, a major disaster for the whole region. It might be difficult to justify such a decision, particularly in an area for which the Government has a policy of trying to enhance employment opportunities (through its Assisted Area Status).

57. This report does not attempt to pre-empt the assessment of the MDHC's future which the Secretary of State for Transport will be putting to his colleagues in due course. But there are a number of reasons why decisions on MDHC's future should not be based on purely commercial criteria as if it were operating in a free market.

A policy for the ports

58. The fact is that competition between ports, even in national terms, is not unfettered. Many ports are not operated for purely commercial reasons - history and local chauvinism play their part. There is a variety of types of ownership, and some are cross subsidised from property development (e.g. Manchester), from other ports (e.g. the British Transport Docks Board ports), or from the local authority (e.g. Bristol). Another distortion is the operation of the National Dock Labour Scheme which applies to most

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(but not all) of the older ports. This, coupled with the attitude of the unions, puts these ports at a distinct disadvantage, as it makes it difficult for them to shed surplus labour.

59. These circumstances have led to serious excess capacity in national terms (over 100 per cent at present), under-utilisation of resources and hence higher unit costs, and cut throat pricing by some of those able to be bail ed out at public expense or to be cross subsidised. To rely on a policy of "free competition" in these circumstances, when support from various sources is being given to those competing, is tantamount to accepting the current unsatisfactory state of affairs (although the privatisation of BTDB will reduce one anomoly). Such a policy has been the basis of the approach to ports for at least the last decade; the outcome can hardly be described as satisfactory.

60. The government has a major interest in the future of key ports because:

- they have a significant impact on their regional economy;
- their operation impinges on the rest of the transport structure;
- in the last resort the government would have difficulty avoiding picking up the bill in a crisis.

The Secretary of State for Transport has publicly stated that the current assistance for London and Liverpool is to enable the ports to continue trading, and that this was done in the national interest.

61. But at the other extreme, we do not advocate a national ports plan, i.e. one that would entail attempting to direct trade. We do think, however, that competition between ports can only be one element, albeit a key one, in a national ports policy. Other elements would include a policy toward the future of the National Dock Labour Scheme; a review of the contribution ports can, and should, make to regional development; and a recognition of the need for some type of system of national priorities for ports as there is for airports. Such a policy would provide a framework within which government can react to crises rather than the present ad hoc intervention. We suggest that DTp undertake a review of the port system, taking account of likely future trading needs, with a view to identifying ways in which the present policy needs to be supplemented to ensure that the nation's best interests are served.

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d. Special employment measures and training

62. There are no short term solutions to Merseyside's problems; it is clear that high levels of unemployment will persist for some considerable time. Thus the continuation and development of the special employment measures, under the auspices of the Manpower Services Commission will be a vital component of any strategy for the area.

63. For adults, it seems to us that, in an area with such high levels of long term employed, it may be more valuable for the programme to offer relatively short spells of employment at intervals rather than longish spells of continuous employment. One of the main purposes of this - be it some form of training or voluntary work - would be to make some weeks (or even days) different from others and spread the benefit so that everyone periodically has the chance to develop the habit of work. We think that the MSC should consider developing this concept, and not just in Merseyside.

64. For the young unemployed, the Youth Opportunities Programme is valuable, but its credibility is diminishing as the chances of finding work on completion of YOP placement declines. In our view, Merseyside offers a good illustration of the need for a universal training year for all unemployed school leavers, along the lines of the voluntary option described in our report on Youth Unemployment. If, as is now being discussed, this concept is to be piloted in selected areas, we would suggest that, if the places can be found quickly enough, Merseyside should be one of the areas chosen.

65. But YOP, even in the enhanced form now being sought for it, can only supply a very low level of skill training. Further, Merseyside is an area in which a high percentage of young people leave school with few or no formal qualifications. We found a strong feeling in the local business community that, regardless of whether economic regeneration of Merseyside succeeds or fails, its workers, particularly the young, need to be equipped with more skills.

66. An expanded programme of skill training could positively assist development since the lack of a reservoir of "apprentice-trained" workers is said to put Merseyside at a disadvantage compared with areas which have a stronger engineering tradition. Even if the hoped-for local demand for skills did not materialise, the young people who had been trained would be in a better position to find work elsewhere. Such an approach would,

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however, imply a relaxation of the Government's present policy on training, which is opposed to training "for stock" i.e. in excess of the foreseeable local demand. Unions too, have opposed training in excess of demand, although this, we were told, is no longer the case locally.

67. The arguments most commonly advanced against training for stock are:

- newly acquired skills rapidly decay unless put into practice quickly;
- the expense, particularly in the case of apprentice training which lasts four years;
- if the Government does the training, the difficulty of ensuring that employers do not respond by cutting back their own training.

68. We do not discount the first point; but the West Germans believe that people benefit from having acquired a skill, even if they do not use it, a belief that is held here for academic qualifications. We think it may be at least as applicable to manual and work-related skills for young people who have little to show for their formal education.

69. On cost, employers could be subsidised to take on extra apprentices and trainees, rather than the Government training them and supporting them. Alternatively, the Government could develop, under the auspices of YOP, accelerated forms of skill training lasting perhaps 2 years - longer than the 6 months adult courses, but substantially shorter than the conventional apprenticeship. These courses might give young people a direct entry to skilled employment in non-unionised firms, and might count towards a regular apprenticeship elsewhere. Courses could combine the use of spare training capacity in colleges and in employers' premises, with work experience in small firms and other establishments (e.g. hospitals) which tend to take on few apprentices at present.

70. While we share the local concern that young people should receive training in "real skills", it is important not to define this too narrowly in terms of traditional apprenticeship trades. The opportunity should be taken to:

- impart broad general skills e.g. general mechanics or building trades on a multi-skill basis, so as to maximise chances of eventual employment with small firms or on a self employed basis;

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- provide training in service skills (building upon the success of unified vocational preparation programmes) designed to improve the acceptability of service industry employment in the eyes of young people, especially boys;
- impart skills expected to be in short supply nationally even if not in Merseyside e.g. instrument technicians, computer programmers.

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PART 4

REGIONAL POLICY: THE CASE FOR REVIEW

71. We are conscious that the Government is committed for the present Parliament to the present framework for regional incentives within its regional policy. We are also aware that within this framework, the details are under almost continuous review.

72. We would not suggest that there should be major changes simply in the light of our Merseyside investigations - although these have indicated that Merseyside should benefit from a new approach in which a much stronger emphasis was given to the net effect on regional employment. But we do think that there are wider national reasons, and Merseyside provides a good illustration, which support the case for a fundamental review - based on an examination of regionally differentiated trends and their likely impact - of what a regional policy should aim to deliver, and how. This section examines these reasons.

73. There has been a steady decline in the numbers employed in manufacturing for at least 20 years - more than a million manufacturing jobs were lost during the 1970s and over another million are expected to go in the five years to 1985. The proportion employed in manufacturing has fallen from 34 per cent in 1961 to 29 per cent in 1978 and is expected to be about 26 per cent by 1985. These changes alter the regional balance in employment opportunities to the detriment, on the whole, of the North where these jobs have traditionally been concentrated, thereby worsening the present regional imbalance. But recently such changes have started to affect the West Midlands in the same way; these, if continued, would shift the position so that the imbalance was virtually between the South East and the rest.

74. In addition, it tends to be the unskilled manual jobs that are disappearing fastest - not only in manufacturing - and new activities tend not to require the same high proportions of unskilled workers as the older declining industries. There is the possibility that technological changes will make it increasingly uneconomic to employ unskilled manual labour at any wage above the floor set by benefit levels. This is a national problem with significant implications eg for training, although there is a regional dimension to the distribution of unskilled jobs.

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75. It might be expected that regional imbalances of this sort would lead to wages falling in the north\* to the point where competitiveness matched that of the south, and, if there were labour shortages in the south, people would move there, or firms from the south would relocate in the north. But the housing market, particularly in the public sector, is very inflexible and there are limits, not least environmental, to the expansion of activity in the south. There are also two factors which tend to inhibit regional wage differentials. The first is the safety net of benefits designed to provide a basic minimum standard throughout the country; second there is a tendency for wage negotiations to be nationally dominated - both employers' and unions' organisations are nationally based, and branch plants of national companies tend to have company-wide wage agreements.

76. There must be some scope for seeking lower real wages in regions with high unemployment; concentrating development on small and local firms may help, as would moves to more flexible regional bargaining for central and local government pay. A lower real level of wages would, however, mean a lowering of regional income until the effect worked through in the form of improved competitiveness and more activity. And if regional differentials for skilled occupations also widened there would be the danger of further encouraging selective emigration, aggravating the problems of decline. Nevertheless regional differentials should be included in any review of regional policy.

77. Regional policy was designed to serve two objectives:

- economic: to increase the overall level of activity in the economy
- social: to spread the benefits of growth more evenly.

The present instruments of regional policy are, broadly, based on the assumptions that manufacturing industry is the principal generator of wealth and employment in its local economy; and that subsidising investment to attract such industry to an area is the most cost effective way of creating new employment.

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\* we use this term very loosely as a shorthand for those regions with differentially high levels of unemployment.

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78. It is far from clear that this continues to form an adequate basis for meeting either the economic or the social objective. The trends outlined in para 3 cast doubts on whether new manufacturing industry should be the main vehicle for meeting the employment objective. There has also been growing recognition of the role that existing industries, small firms and service industries can play in meeting both objectives. This has led to a number of changes (for example the introduction and strengthening of the Office and Service Industry Incentive Scheme).

79. These changes are useful but marginal to a policy which still centres on the provision of regional development grants (RDG) for manufacturing investment. It could be argued that this policy is really one of industrial assistance, with a regional bias. There may be danger of falling between two stools. If, as we suspect, there is a need for an industrial assistance policy (not necessarily involving subsidy) as part of the process of stimulating Britain to become internationally competitive, it could be argued that it should be pursued nationally but on a selective basis to assist structural change (as it already is under Section 8 of the Industry Act.)

80. Thus as an industrial policy, it is far from clear that our present regional policy is cost-effective, and as a regional policy, several trends are making its emphasis on manufacturing investment less appropriate. Further, these same trends mean that the problem being addressed is likely to worsen - the decline in employment in manufacturing within some regions is an order of magnitude different from the counter balancing effect of the current regional policies.

81. There are two alternatives. The first is to accept that in some parts of the country there will always be a higher percentage of the working age population unemployed. But due to the higher emigration of the more skilled from such areas, the downward spiral described in para 4 could eventually lead to a substantial part of whole cities consisting largely of the unemployables of one kind or another.

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82. The second is to adopt a regional policy deliberately designed to increase useful employment in the high unemployment regions and embracing all kinds of jobs. Such a policy ought to include ways of widening regional wage differentials. It might also include differential incentives for the operation of manufacturing industry, broadly along the lines of RDG.

83. But a major element would be designed to tip the balance more in favour of the north when new service industries are being contemplated and to encourage existing companies to consider re-locating. The elements might include direct financial assistance within a ceiling per job (eg training costs of new employees; rent/rate subsidies for an initial period - perhaps capitalised to help the cash flow: an initial grant per job created - perhaps a temporary remission of the National Insurance Surcharge; relocation expenses). Another way of helping to tip the balance would be with appropriate infrastructure investment eg office refurbishment (or building); priority telecoms investment; environmental improvements; emphasis on more executive housing; priority improvements for the schools. There may also be scope for some direction of public sector establishment eg resurrect the Hardman proposals for civil service dispersal, and re-locate other activities from the south east if they could equally well be elsewhere (eg nationalised industry headquarters, teaching hospitals, universities).

84. There are a number of government policies which benefit the south east at the expense of the rest, and thus encourage a higher concentration of economic activity in the south east than the market would dictate. Perhaps the clearest example of this is the subsidy to the South East rail commuter network which keeps down labour costs for employers. These public expenditures run directly counter to the objectives of regional policy, and would need to be included in a review.

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85. In summary, therefore, we think there is a need for a new approach to regional policy, taking account of long term trends in the structure of employment and in the level of unemployment.

86. We recognise that, given previous Ministerial commitments, it may not be practical to make major changes in regional policy during the present Parliament. But, given the wide-ranging issues involved, a review will need to begin soon if effective action is to be taken early in the next Parliament.

87. We are conscious that these views on regional policy stem primarily from our Merseyside investigations. It may be that, before embarking on a review, Ministers would like more work done to confirm that these views have a wider validity. Such an exercise might be useful in advance of the decisions on the Assisted Areas map which Ministers will have to take next year.

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Liverpool Airport

1. We do not now think that Liverpool airport (Speke) is of vital strategic importance for Merseyside's development. Our earlier thought was that it might develop into a major international airport to provide a modern equivalent of the traditional seaport function. But this option was foreclosed some time ago by the decision to make Manchester the principal airport for the North West. Manchester is also the only English airport of international gateway status outside the south east; it is reckoned to be capable of accommodating the whole of the region's commercial air traffic until the 1990s and possibly beyond. The present policy of concentrating as wide a range of scheduled flights as possible on Manchester makes sense for the North West and is also acceptable to the small sample of Merseyside business people whom we consulted: most of them used Manchester rather than Liverpool.
  
2. In fact the future of Speke airport is problematic. It is losing £2 million a year (40 per cent of its turnover). The County Council see it as an important focus of development particularly in connection with tourism. But Liverpool City and others in the community tend to regard it as a white elephant. The question whether the airport should be kept going is formally one for the County Council to take. But this is the kind of topic which could usefully be considered collectively in a local strategy forum (paragraph 21). The essential issue is whether the cost to public funds of subsidising the airport are justified by its existing and potential benefits to employment (direct and indirect) bearing in mind the costs of supporting and attracting jobs in other sectors of the local economy. (This seems to us to be the proper approach in the local context, even though the Government's policy is that regional airports should not be subsidised).
  
3. At present the County Council's aim is to retain the airport and put it on a sounder financial footing by investing in a new terminal building which would enable them to concentrate operations on a single runway, releasing older airport land for industrial or commercial development. This project will cost over £10 million of which £2½ million is being sought from the urban programme and the remainder from the private sector.



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We are sceptical of the viability of this project, which depends on a very large increase in the airport's passenger throughput. The key test of its viability will be whether the Council manages to attract genuine risk capital from the private sector to the extent envisaged. If it does not, then the question must be asked whether the urban programme money being sought might be better used in other ways.

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Encouragement of port related activities

1. In many North European ports, the port itself is seen as a vital part of the overall local economy serving as a generator of industrial activity, rather than as a commercial enterprise in its own right. This is most vividly illustrated by the amount of financial aid received from local or central government. It has been calculated that, with similar subsidies, UK ports could reduce their charges by up to half. In addition most Continental ports receive many services free (e.g. dredging, policing) for which UK ports pay. Thus attractive packages can be put together for manufacturers who wish to make use of the port. As a result the regions around the major north European ports have prospered and this may well have been at the expense of those round some of the UK ports.
  
2. To even things up a little we suggest that, as a minimum, any port facilities that need to be developed as part of projects which qualify for regional assistance should also be eligible for regional aid, perhaps under Section 7 of the 1972 Industry Act. We also suggest that a more comprehensive marketing approach should be developed by MDHC, in conjunction with at least one of the local authorities, in an attempt to attract industries to the area which would be able to take advantage of the port and its excellent transport links.
  
3. The creation of a free port zone is another device used to attract industry to a port area. We are convinced that the creation of the traditional type of free port, i.e. essentially a customs free zone, would make little substantive difference to the attractions of the area from a potential investor's point of view. In particular it would have little effect on any goods bound for, or from, any EEC country as, for those goods still subject to EEC Custom Duties or Levies, such payments need only be made once on entry to the EEC.
  
4. The newer type of free port is a variation of the Enterprise Zone concept, of which the most notable example in Europe is at Shannon in the Republic of Ireland. While there may be a good case for considering a further enterprise zone in Merseyside, it is not clear that the port area would be the most appropriate site - we suggest that the Kirkby industrial estate would be a strong candidate. To encourage more specifically port related industry, the 'uncontrolled' approach that is the essence of enterprise zones may well not be appropriate.

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5. However there may be a case for some more controlled special initiative, particularly in the southern half of the north docks. This area is starting to be surplus to operational requirements and shows signs of beginning the general decline that characterises the south dock area (now to be taken over by the MDC). The MDHC plans will reinforce these tendencies. We think that action in this area should not wait until it has reached the state of decline of the south docks. There may well be ways in which this area could be developed which would have implications for the shape of development in the present MDC area. For example it may well be more suitable for industrial use, which would mean that all the south docks area could be non-industrial in a way that would be more consistent with the strategy described in paragraph 13 of the main report.

6. We think there should be a joint study of the south half of the north docks by MDHC and MDC involving the Department of Industry (DI), paying particular attention to the scope for dock related industry, with the aim of drawing up plans for the area and examining the implication for (and of) their separate other areas. We think DI should be associated with this exercise to assess whether some form of special initiative, as a variation of the EZ concept, would be needed. A joint marketing exercise (MDHC/MDC) should follow. If our recommendations about a revised partnership forum and project team are accepted, this study should be one of the first projects undertaken under that umbrella.

7. One of the factors that has hindered development of surplus dock land has been MDHC's natural reluctance to sell the land. This is because the company can not retain the proceeds of sales until it has cleared the capital debt resulting from the collapse of the MDH Board in 1971. It does retain revenue from lettings. In these circumstances we have some sympathy with MDHC's desire to retain the Zisman and Wallasey Dock sites - the former at least until its future is settled. We hope suitable arrangements can be made with the MDC.

8. The inability to raise capital through sales is also storing up problems for MDHC in relation to its historical liabilities for a number of bridges, roads and sewers. As a result of minimal maintenance, the capital costs of renewals could be £16 million over the next ten years. The statutory authorities are not keen to take on these burdens in their present state, although there are (slow) negotiations for them to do so. The consultants who are retained by the Department of Transport to advise on MDHC, do not think it

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appropriate for these costs to count against the viability of the port. We agree, and think the position should be sorted out quickly. We suggest DOE and DTP speed the process up, with funds if necessary, as in the end the cost are likely to be met by one form of public expenditure or another.

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**Merseyside  
County Council**

**THE BLOCK GRANT  
1981-82**

**A Presentation Prepared for the  
Secretary of State for the Environment**

**The Right Honourable Michael Heseltine M.P.**

## THE BLOCK GRANT, 1981-1982

### INTRODUCTION

1. A crucial element in the Block Grant system is the Government's assessment of local need - the Grant Related Expenditure (G. R. E. ) assessment.
2. For Merseyside County Council, the G. R. E. is £116 million in 1981/82. It falls short of the County Council's budget by £24 million - a budget which
  - has already suffered cuts of £12.5 million
  - spends less in real terms than in 1980/81
  - Complies with the revenue element of the T. P. P. expenditure accepted by the Secretary of State for Transport
  - shows an increase of less than one per-cent in the County precept.
3. Of this £24 million excess over G. R. E. , £15 million is above the threshold and attracts a much smaller rate of Block Grant - at the rate of 12 per-cent of expenditure only. Had G. R. E. been £15 million greater, there would have been no penalty above the threshold and the County Council would have received £13 million more Block Grant - equal to a precept of 7p in the £.
4. The major differences between the G. R. E. assessment and the County Council's budget are:-

	<u>G. R. E.</u>	<u>BUDGET</u>	<u>EXCESS</u>	
	£m	£m	£m	(%)
Transport	42	58	16	(38%)
Police	36	40	4	(11%)
Remaining Services	38	42	4	(10%)
	<hr/>	<hr/>	<hr/>	<hr/>
	116	140	24	(21%)

5. Comments on these differences and suggested changes in the G. R. E. factors to be taken into account in 1982/83, in order to remedy the anomalies, are contained in the following paragraphs.

TRANSPORT

6. Two-thirds of the total excess relates to transport and the County Council spends £16 million, nearly 40 per-cent, more than G. R. E. on this element. The two main factors are:-

- T. P. P. type expenditure
- Concessionary Travel

T. P. P. type Expenditure

7. One half, £8 million, of the transport excess is in respect of T. P. P. type expenditure and has already been sanctioned by the Secretary of State for Transport in his T. P. P. accepted programme which ranks for Transport Supplementary Grant.
8. Meanwhile, the G. R. E. assessment has distributed the national total T. P. P. expenditure on a population basis. This is quite unrealistic because:-

- it fails to recognise that contributions to British Rail local services are confined to Metropolitan County Councils. (The County Council's net contribution to British Rail is £6.5 million, whereas £1.0 million is allowed in the G. R. E.)
- it overlooks special requirements for the Mersey Ferries - a transport facility which the County Council sought power, by Local Act, to close but the Bill was defeated in Parliament. (The Ferries will cost £1.0 million in 1981/82 but the County Council's G. R. E. includes less than £75,000 for this and other special facilities).
- it does not take account of the greater expenditure needs of urban areas in respect of such matters as peak hour passenger transport, industrial and commercial demands and particularly the Port of Liverpool.

9. Solution: In the T. P. P. system, exists an accepted method of allocating a programme of revenue expenditure to each County Council. This assessment should be used in the G. R. E. compilation.

Concessionary Travel

10. The other half of the excess of the transport budget, compared with G. R. E. , is largely in respect of concessionary travel. The national total has been allocated in the G. R. E. 's on the basis of numbers of old persons in each County Council area. This basis is totally inappropriate because -

- 80% of the P. E. S. C. provision for concessionary travel relates to Metropolitan Areas.
- it fails to recognise the extra needs of urban areas - examples are the maintenance of family links where the younger generation have been re-housed on the periphery and transport associated with social activities available to the elderly in conurbations.
- similar demands do not exist in rural localities and the distribution formula used results in an excess allocation to many of the Shire Counties.

11. Solution: A formula more sensitive to the demands of urban areas should be used.

12. A detailed statement on the Transportation Issue has been prepared for the Secretary of State for Transport, and a copy of this is enclosed.

POLICE

13. Merseyside spends £8 million, gross (11% more than the G. R. E) on a service which is closely controlled by the Home Office.

- Most of the expenditure stems from a staff establishment which is authorised by the Home Office.
- The authorised establishment has recently been increased and Home Office approval was withheld until the Police Authority gave an assurance



that the addition would be utilised in 1981/82 and that support expenditure would also be provided for.

- Major capital projects require individual approval by the Home Office and this has been readily forthcoming in recent years.
- The crime rate in Merseyside is one of the highest in the country.
- The Home Office research associated with the adopted formula was conducted in the mid-1970's and did not include one Metropolitan County force.
- National security is a special factor in a North-West County which contains both an airport and a major port.

14. Solution: The G. R. E. factors must take more account of urban requirements and give greater emphasis to crime.

#### REMAINING SERVICES

15. Again, the County Council's budget is £4 million (10%) in excess of the G. R. E. assessment, which fails, sufficiently, to take account of

- Local policies to stimulate employment in an area where there are more than 100,000 people unemployed and the unemployment rate is 16% - a rate greater than any other "Development Area" of any size and 50% higher than in the rest of the North-West.
- A deficit of £2 million on Liverpool Airport in 1981/82. The continuance and development of this facility has the full support of the Department of Trade and the Department of the Environment, as part of the programme to regenerate Merseyside.
- Substantial support for cultural activities of regional significance - recognised as an attraction to incoming investment (a G. R. E. allocation of a national total on the basis of shop floor-space is totally inappropriate).

16. Solution: The G. R. E. must recognise the need to adopt appropriate policies in those authorities suffering from acute and endemic unemployment.

CONCLUSION

17. The Secretary of State for the Environment has recognised the need to review the G. R. E. assessments used in 1981/82. This paper identifies some of the current anomalies that cause considerable hardship to a very depressed area and suggests suitable changes. He is asked to adopt them for the 1982/83 distribution of Block Grant.

April, 1981

MERSEYSIDE COUNTY COUNCIL

RESOURCES FOR PUBLIC TRANSPORT ON MERSEYSIDE  
TRANSPORTATION AND BLOCK GRANT

A presentation prepared for the  
Secretary of State for Transport,  
The Right Honourable Norman Fowler, M.P.

April 1981

## RESOURCES FOR PUBLIC TRANSPORT ON MERSEYSIDE

### Introduction

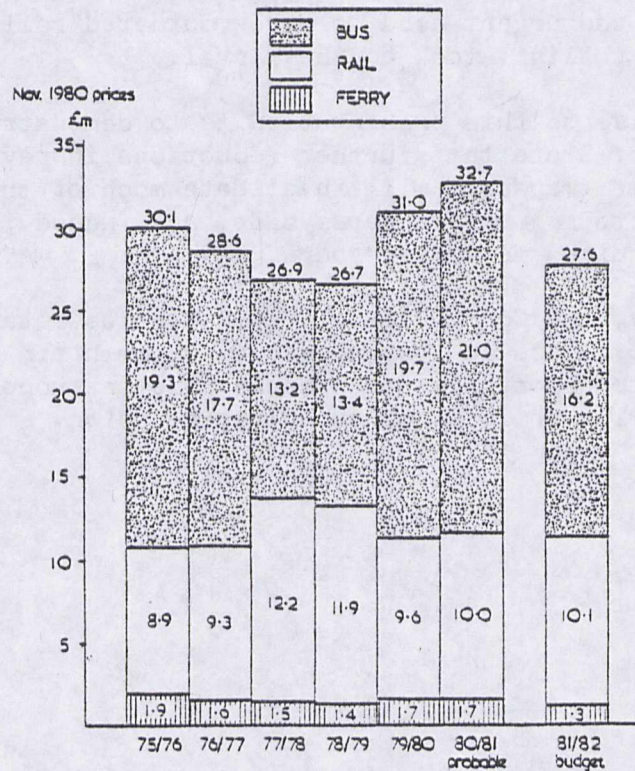
1. Merseyside County Council is facing increasing difficulties in providing a reasonable public passenger transport service in 1981/82 and future years due to :
  - (a) the current economic climate
  - (b) the loss of grant arising from the methods adopted in determining the County Council's component of Grant Related Expenditure for transport purposes in 1981/82 ( a separate paper considers this topic)
  - (c) the Council's special circumstances arising from :
    - (i) the historic development of land use particularly the need to provide services to the large outer Council estates where car ownership is very low
    - (ii) the financial consequences of past investment decisions, particularly in the Merseyrail system
    - (iii) the urgent need to renew outdated rail rolling stock on the Wirral.
2. The objective of this presentation is to demonstrate to the Secretary of State that further reductions in revenue support to passenger transport will invalidate much of the work being undertaken to regenerate Merseyside, and indeed increases will be required in future years.
3. Accordingly, the County Council seeks the assistance of the Secretary of State in its endeavours to maintain a viable passenger transport system on Merseyside in support of the Structure Plan policies of urban regeneration.

Public Passenger Transport

4. Figure 1 shows how the different components that make up the County Council's revenue support have changed from year to year. Substantial changes occurred in the two main components, rail and bus :

- (a) on rail, the increase in 1977/78 and the decline in subsequent years reflects the opening of the "loop and link" and associated improvements and its success in attracting new passengers despite large cost increases due to capital charges
- (b) on bus, between 1974/75 and 1978/79 scheduled bus miles were reduced by 16% or 10 million, saving well over 200 buses, in part as a consequence of the development of the rail system
- (c) it is impossible to replace bus routes entirely with rail services because some bus routes are still required parallel to rail services to cater for short distance journeys.

Figure 1 TRENDS IN PASSENGER TRANSPORT CURRENT EXPENDITURE



5. Since 1978/79 bus revenue support requirements have increased substantially. In 1980/81, the probable outturn is much higher than forecast even last July when the 1981/82 TPP was submitted because :

- (a) levels of inflation were substantially higher than Government guidelines for 1980/81
- (b) income deteriorated rapidly during 1980/81, reversing a previously favourable trend as shown in Figure 2. This deterioration seems closely related to the very sharp increase in unemployment on Merseyside since January 1980, Figure 3, and probably to the incidence of short time working with unemployment being concentrated in those groups particularly dependent on public transport. Between 1979/80 and 1980/81, there was a 14.8% drop in the number of adult on bus fare-paying passengers.

6. The combination of these adverse trends and the low settlement for revenue support against an already unrealistic TPP bid (a reduction of 4%) has necessitated the Council, despite the transfer of £1.3m from highways maintenance, to reduce revenue support by £5.8 million or 17% in 1981/82. The major part of the reductions must fall on the bus services because of the notice that must be served on British Rail to secure major changes in their services. Nevertheless, the County Council has informed B.R. that it will no longer support any of the diesel services formerly part of the Merseyrail network from the 1st April 1982 except those to Hough Green and Hooton. Three lines are affected :

Kirkby - Rainford - Wigan - Bolton - Manchester  
Lime Street - St. Helens - Wigan  
Lime Street - Newton-le-Willows - Manchester

No further significant economies are possible on Merseyrail without withdrawing support from some of the electrified lines forming part of the network completed in 1977/78.

7. The £5.8m reduction in revenue support will be achieved by :

- (a) £2.1 million from internal economies mostly of a "one-off" nature not directly affecting passengers including further deferment of the move from historic cost to replacement cost depreciation accounting
- (b) 15% reduction in bus miles particularly in the evenings after 1830 hours and on Sundays. In both time periods bus miles will be halved.
- (c) bringing forward a proposed fares increase by three months to July 1981.

Figure 2

BUS INCOME TRENDS

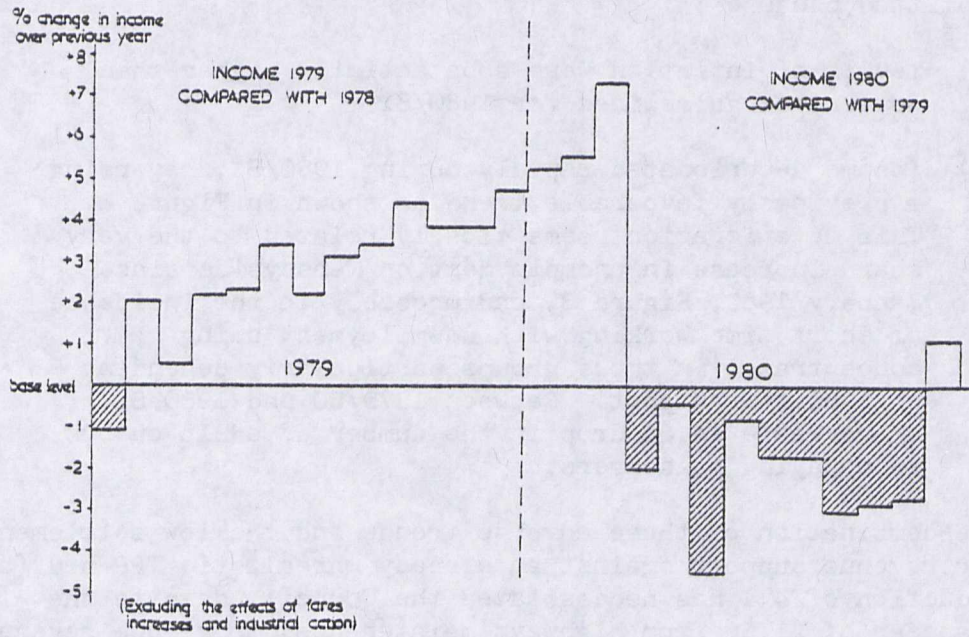
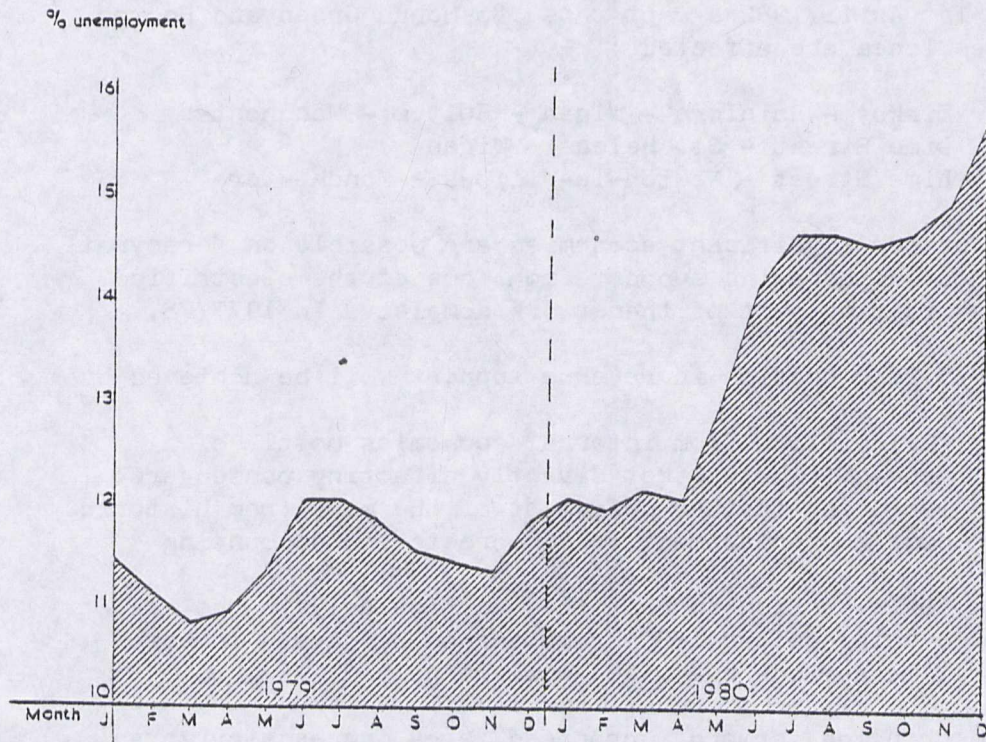


Figure 3

UNEMPLOYMENT ON MERSEYSIDE



8. The impact of the bus service cuts is illustrated in Figure 4 which shows those urban areas of the County which will now, for the first time, no longer be within 400 metres of a bus route in the evening and on Sundays. Figure 5 shows the location of the outer Council estates, a particular feature of land use on Merseyside containing a population of about 310,000, where car ownership is low and which, as a consequence, impose special demands on public transport services. Public reaction to the proposals has been very strong throughout the County, especially from shift workers, those providing and making use of entertainment facilities in the urban centres and those wishing to visit hospitals.
9. Between 1974/75 and 1981/82 fares will on average have risen 25% in real terms and are generally in line with other Metropolitan Counties, as shown in Figure 6. It might be possible to continue to cut services and raise fares at a substantially higher rate than inflation to meet reducing financial targets for revenue support in future years. However it will put at risk the urban regeneration strategy of the County Council as approved in the Structure Plan in November 1980. This issue was fully explored at the Examination in Public when the Report of the Panel concluded :

"..... it is right that we should draw your attention to three possible causes of a possible failure of the strategy. They are as follows : ..... (c) the County's public transport system may become substantially less useful by reason of lack of resources."

Paragraph 10.

"We believe that an effective public transport system will contribute to regeneration because it will broaden the range of accessible job opportunities, especially for the less well-off and will extend the catchment area within which an enterprise on Merseyside can recruit."

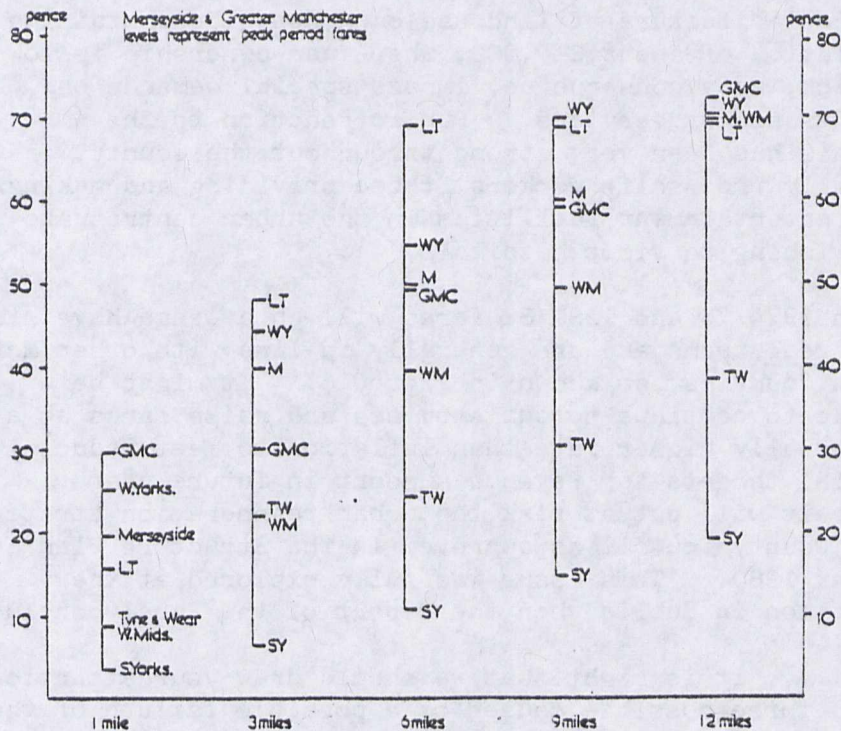
Paragraph 39.

"Nevertheless, as we indicate in paragraph 10 above our opinion is that failure to maintain an effective public transport system will hinder the fulfilment of the strategy and will do so more grievously than a lack of resources to carry through new road construction at the desired rate."

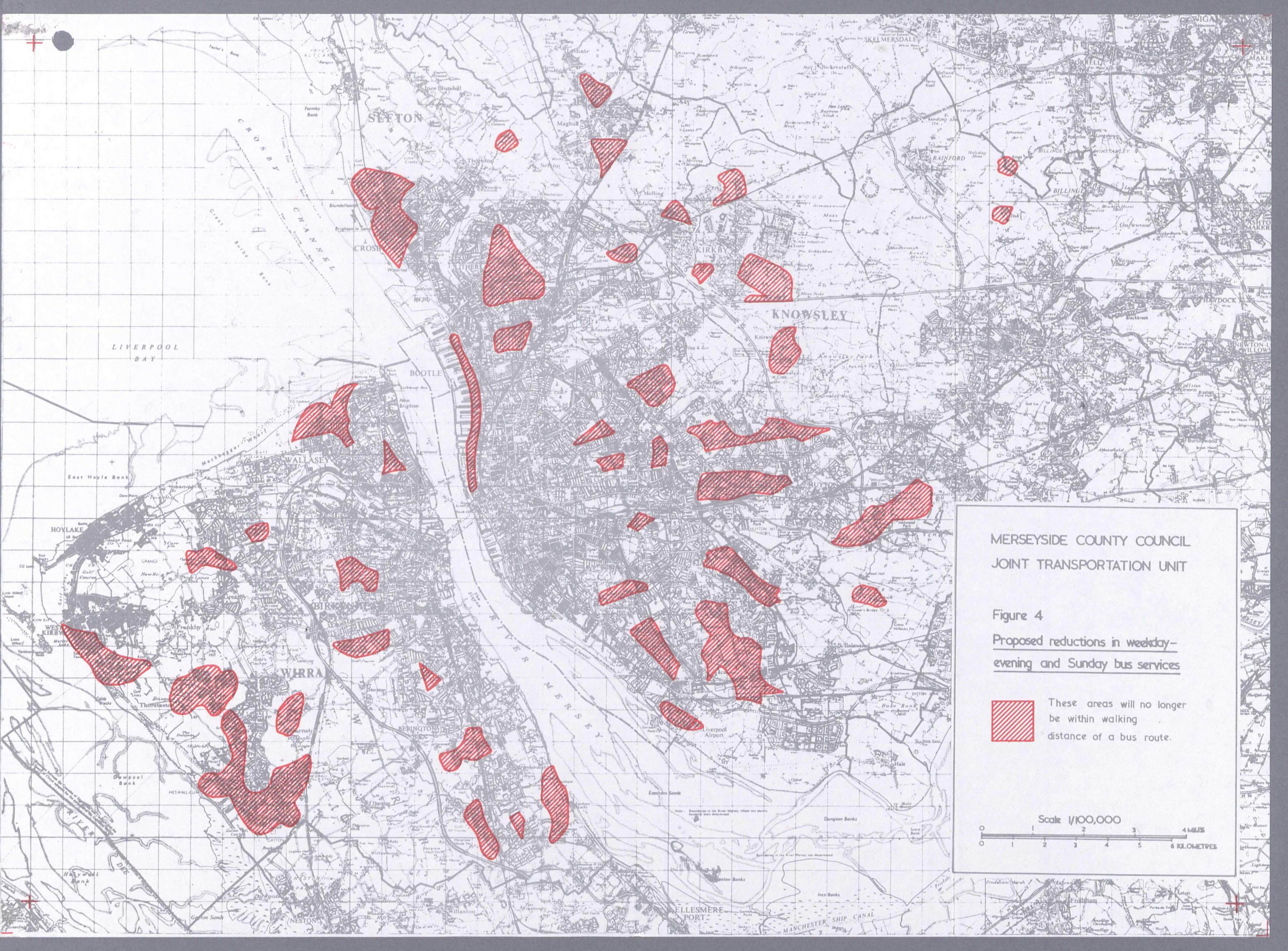
Paragraph 43.



Figure 6 FARE LEVELS OVER DISTANCE (November 1980)  
COMPARISON OF METROPOLITAN COUNTIES




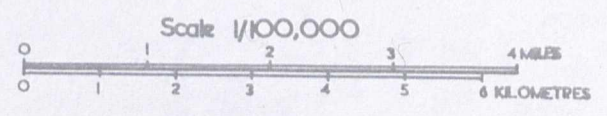
10. The pressures on revenue support to continue to increase in real terms in the future are substantial. Many are outside the influence or control of the Executive. In summary, the most important influences (expanded in the Annex to this paper) are :
- (a) A decline in the U.K. of passenger transport patronage. This is a reflection of growth in car ownership and passenger resistance to fares increases, especially those exceeding the level of inflation.
  - (b) These national trends have been compounded on Merseyside by a number of local factors: general population and employment decline, a dispersal of population and jobs to the outer areas of Merseyside at the expense, in particular, of the City Centre and the effect of the economic recession in terms of short-time working and the recent rapid increase in unemployment. The effect of unemployment is concentrated on the socio-economic categories which comprise the bulk of passenger transport users. In addition to work trips, the reduction in income to the unemployed and their families has a direct effect on the number of trips made for other purposes.

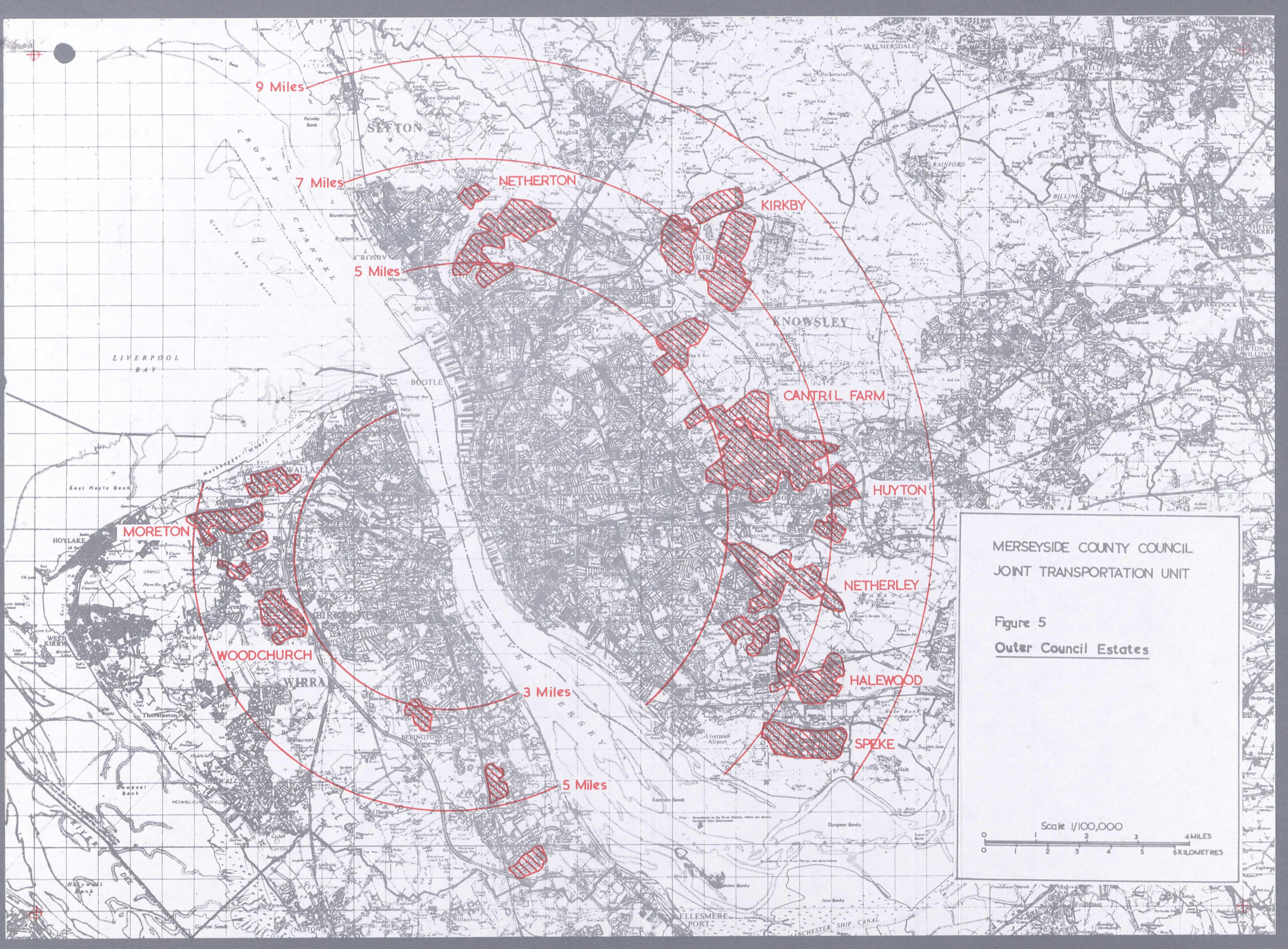


MERSEYSIDE COUNTY COUNCIL  
JOINT TRANSPORTATION UNIT

Figure 4  
Proposed reductions in weekday-  
evening and Sunday bus services

 These areas will no longer  
be within walking  
distance of a bus route.





MERSEYSIDE COUNTY COUNCIL  
 JOINT TRANSPORTATION UNIT

Figure 5  
Outer Council Estates

Scale 1/100,000

0 1 2 3 4 MILES  
 0 1 2 3 4 5 6 KILOMETRES

11. The potential for cutting services in line with falling patronage is, however, restricted on any particular route by the practical considerations of rescheduling, of making the most economic use of vehicles and staff and the need to maintain services at a sufficient frequency and route density so as not to discourage existing passengers from travelling by public transport. It is desirable, because of the effect on passengers of continual service revisions, to react only to a significant decline in demand.
12. In response to falling patronage, there is an unavoidable time lag in reducing service levels. This is a result of the need to detect a consistent pattern of decline on individual services, to consult with District Councils, Trade Unions and other interested bodies, to submit proposed changes to the Traffic Commissioners and to apply new schedules and timetables.
13. Any further cuts at the present time would have to be made in the peaks and between the peaks where the level of service maintained is only sufficient to provide for the demand from work and shopping journeys. In the present sharp recession on Merseyside it is cost-effective to maintain a higher level of service, retain these existing passengers and provide a base for attracting lost passengers back when the recession eases.
14. Further increases in revenue support are also required to meet the cost of replacing the out-worn and out-dated Wirral rolling stock. Fortunately the costs involved (£0.4m in 1982/83) have been minimised by purchasing second-hand B.R. Southern Region stock which has the added advantage that it is directly compatible with the County's other rolling stock. Nevertheless, by 1984/85 this will cost an additional £3.7m per year.

#### Conclusion

15. The future for public transport and Merseyside is bleak. The County Council needs an increase in resources just to maintain existing passenger transport services. Reductions, in addition to those planned for 1981/82, would cut into the basic fabric of passenger transport services, bring to nought the Council's urban regeneration policy and place the Executive and the County Council in the position that they could be charged with being in contravention of their duties under Section 9 (3) of the Transport Act, 1968

"to secure or promote the provision of a properly integrated and efficient system of public passenger transport to meet the needs of that area."

ANNEX

FACTORS CONTRIBUTING TO PUBLIC TRANSPORT CURRENT  
EXPENDITURE INCREASING AT A GREATER RATE THAN INCOME

1. Passenger recession.  
This is a reflection of growth in car ownership; population and employment decline, particularly in the City Centre; the general dispersal of jobs; ageing population, etc.
2. Passenger resistance to fares increases.  
Such resistance grows as fare increases exceed the level of inflation.
3. Economic recession, unemployment and short-time working.
4. Difficulty in making accurate forecasts of expenditure on items such as wages, fuel costs, interest rates etc.  
Unforeseen increases on such items contrast with the tendency for income to fall in real terms.
5. Government guidelines for pay and price increases have been found to be unrealistic in past years.
6. Unavoidable time lag in responding to falling patronage.  
This is a result of the need to collect reliable information reflecting patronage in the medium term, carry out the necessary consultations and take action when appropriate.
7. Timescale for introducing fare increases because of the need to consult Traffic Commissioners, District Councils and Unions.
8. Increased fare evasion and over-riding (this is, in part, a response to fare increases).
9. Industrial action.  
This results in loss of income not only during disputes but also in the longer term because of loss of patronage and passenger confidence.
10. Industrial action is also costly because fixed costs (buildings, rates, administration, capital charges, etc.) still have to be supported even though the income contribution has been removed.

11. Lack of skilled staff  
Leads to declining maintenance standards and need to offer staff more expensive overtime and weekend work.
12. Increased traffic and congestion  
Leads to increased operating costs and reliability problems.
13. Declining standards of road maintenance  
May lead to increased wear and tear on buses as well as reliability problems.
14. Loss of patronage resulting from decreased reliability etc dictates that extra resources should be allocated to items such as marketing, passenger information and revenue protection measures in an attempt to stem income loss.
15. Traffic management measures in town and district centres impose extra costs in the form of slower journey speeds, increased fuel consumption etc.
16. Relative population changes have imposed extra operating costs as population has increased or transferred to outer estates or suburbs at the expense of the inner urban areas.
17. Increased vandalism has imposed extra costs.
18. Improved passenger facilities have had to be provided to maintain attractiveness of the passenger transport network.
19. Conditions of employment for the labour force have increased in line with other industries.
20. Modern buses and equipment are more costly to buy (increased Capital Charges) and maintain.
21. Maintenance costs of outdated equipment and buildings have increased.  
This is accentuated by lack of capital funds for replacement.
22. Control of Agency operators' costs.  
For example, wage settlements (arising from national agreements) in excess of PTE budget assumptions.
23. The Health and Safety at Work Act has imposed extra costs for improving premises, facilities and conditions for the workforce.

## TRANSPORTATION AND BLOCK GRANT

### Introduction

1. The preceding paper describes the financial difficulties facing the County Council on revenue support. In addition a presentation has been prepared for the Secretary of State for the Environment on some of the anomalies of the 1981/82 Block Grant system, a copy of which accompanies this presentation. This paper explores more fully the substantial losses in grant which the County Council has suffered due to the treatment of elements of TSG eligible and ineligible expenditure in Block Grant.
2. Merseyside has greater cause for concern than even the other Metropolitan Counties. Taking the amount of GRE for highways current expenditure and revenue support, less Transport Supplementary Grant, together with concessionary travel, Metropolitan Counties on average received a GRE 75% of their budgetted expenditure, Merseyside received only 65%. Merseyside's needs are high compared with other Metropolitan Counties because :
  - (a) unemployment is very high - at 16% the rate is greater than any other "Development Area" of any size and 50% higher than in the rest of the North-West
  - (b) it has specific responsibilities for a Ferry Service on a scale unmatched by any other authority
  - (c) the rehousing of 310,000 people in outer Council Estates places particularly heavy demands on bus services
  - (d) the success of the policies of regenerating Merseyside are crucially dependent on the existence of a reasonably priced adequate public transport network. This view was underlined by the Report of the Panel of the Structure Plan Examination in Public.

### TSG Eligible Revenue Expenditure

3. In the 1981/82 Block Grant settlement, Metropolitan Counties and the GLC received in total a GRE of £243.7m to meet TSG eligible revenue expenditure whilst accepted expenditure from the Department of Transport amounted to £309.5m, a shortfall of 21%. For Merseyside, the GRE was £23.5m against accepted expenditure of £32.0m, a shortfall of 26.5%.

4. The main, but not the only, reason for the substantial size of these shortfalls is the inequitable treatment of payments under Section 20 of the Transport Act, 1968 to British Rail as between Metropolitan Counties and the Shire Counties and GLC. All County Councils benefit to some degree from BR local services. Metropolitan Counties have a statutory duty to pay, through their Passenger Transport Executives, for their local rail services. Shire Counties and the GLC have their local provincial rail services and the London and South East commuter services both provided by British Rail but supported through the PSO grant direct from Central Government with no rate contribution.
5. The PESC White Paper (Cmnd 8175) quantifies this "hidden" subsidy to the Shire Counties and the GLC as £474 million in 1981/82. The position has been aggravated by the reduction in 1981/82 in local authority revenue support to British Rail, bus, underground and ferry services by £19 million and the increase in passenger subsidies to British Rail of £20 million. Accordingly, it is completely inequitable that these payments by the Metropolitan Counties in providing their local rail services should be included in the aggregate revenue support figures for England before GRE was calculated and distributed to Shire Counties and the GLC as well as Metropolitan Counties.
6. A similar argument applies to Merseyside County Council's statutory responsibilities for the ferries which do not exist for other County Councils and for which they receive a grant allocation. The County Council has resolved to try again to get Government support for legislation to enable the ferries to be closed.
7. The original purpose of Transport Supplementary Grant was to supplement block grant (RSG) for transport purposes recognising that expenditure on transport capital schemes could be very uneven and that it was necessary to eliminate the bias inherent in previous methods of financing particular types of solutions to transportation problems. These objectives were set out in Circulars 104/73, 27/74 and 60/74. Since its inception, the TPP/TSG system has shown itself sufficiently flexible to cater for :
  - (a) major capital schemes (e.g. Liverpool Inner Ring Road, Tyne and Wear Metro)
  - (b) the specific responsibilities of Metropolitan County Councils for local rail services
  - (c) the particular needs of the conurbations for revenue expenditure (set out in the Appendix)
  - (d) Merseyside's responsibility for the ferries.



8. The new block grant system, in its first year of operation, has failed to take account of either (b), (c) or (d) above. It is not clear whether, if Section 51 of the Planning and Land Act, 1980 were implemented abolishing TSG, the new system would accommodate (a) above.
9. The TPP/TSG system has developed into a successful, widely accepted method of allocating resources in accordance with need. The new block grant system could function logically and satisfactorily if accepted eligible revenue expenditure as determined by the Department of Transport, net of grant, were incorporated directly into the GRE assessment. An added advantage would be a reduction in staff resources in the Department of the Environment by eliminating duplication of work. The assumption would have to be made that TSG would apply, at the rate of 70%, first to capital expenditure, then to revenue expenditure over the threshold, but this would be entirely consistent with the objectives of TSG.
10. Other, residual, anomalies will remain between the two systems basically because for capital expenditure TSG is a resource cost whilst in block grant, the costs included are the financing costs. These inconsistencies, which also arise in other areas, are an acceptable consequence of the new system.

#### Ineligible Revenue Expenditure

11. Another major inconsistency arises in the treatment of concessionary fares and again affects Metropolitan County Councils particularly. For 1981/82, Metropolitan County Councils' concessionary fares budgets amounted to £69.9m compared with a GRE figure of £32.4m, a shortfall of 54%. For Merseyside, the GRE allocation was £3.6m against a County Council budget of £9.5m, a shortfall of 62%.
12. The Metropolitan Counties are responsible for some 80% of the total PESC provision for concessionary fares and so clearly such a level of expenditure is accepted for the purposes of PESC. Indeed, in the 1980 public expenditure White Paper (Cmd 7841) it was stated that total expenditure on this head is expected to decline only slightly from the 1979/80 level. However, the total GRE has been allocated pro-rata to the numbers of elderly people in each authority's area. This results in some authorities receiving GRE for concessionary fares where there is no demand or schemes, or where there is an insufficient level of public transport to satisfy demand. In other words, a pattern of expenditure which has been accepted for PESC purposes is being distorted by the GRE allocation which is clearly most unsatisfactory.

### An Alternative Approach

13. Paragraphs 3 to 10 above have argued strongly for an alternative approach to dealing with TSG eligible revenue expenditure in block grant. However, there are other arguments against the methods adopted for the 1981/82 grant distribution.
14. Transport expenditure does not lend itself to assessment by a standard formula for several reasons :
  - (a) Expenditure on local transport is not related to readily definable client groups, social factors, unit costs or associated factors which it may be considered can largely determine expenditure on other services. Transport is not an end in itself such as education, social services, etc. but a means to an end reflecting local land use dispositions and levels of economic and social activity.
  - (b) There are wide variations in existing patterns of expenditure which cannot be explained purely in relation to the policies currently adopted by individual authorities. For example, expenditure assessment for highway maintenance should include consideration of some of the following variables :
    - (i) existing conditions of roads and street furniture;
    - (ii) history of maintenance spending;
    - (iii) road usage including types of vehicles;
    - (iv) proportion of urban roads;
    - (v) geographical features and climatic conditions;
    - (vi) existing links with motorway, trunk road and rail networks.
  - (c) For some years, it has been accepted that authorities should develop a comprehensive transportation planning policy. This requires different solutions and consequently different expenditure needs for each area which could not be reflected in standardised costs. Any solution is likely to involve a mix of :
    - (i) roads and public transport provisions;
    - (ii) public and private initiatives;
    - (iii) capital and revenue expenditure.

Expenditure need, therefore, is likely to be uneven both between areas and between years when attempts are made to sub-divide transport expenditure under a series of sub-headings.

15. It would not be a new idea to suggest that transport expenditure has special features. The introduction of the TPP procedure in 1975, and the payment of Transport Supplementary Grant reflected the need for integrated planning and operations and the fact that each authority's plan should be considered separately.

Conclusion

16. Arising out of the above, and the difficulties of determining grant related expenditure assessments for transport, the County Council argue strongly that the only credible system to adopt is to integrate the TPP/TSG system with block grant by incorporating need assessments directly into the GRE for transport, thereby adopting a plan based approach as opposed to standard expenditure formulae.

## APPENDIX

### SPECIAL REQUIREMENTS OF URBAN AREAS

#### Background

1. It is difficult to assess a standard level of service for transport. Each local authority comprises social, economic and physical factors which contribute to its uniqueness. Given the extreme diversity which exists between authorities, there are no standard levels of service and any attempt to derive simple formulae to express a standard is doomed to failure.
2. In England local authority transport current expenditure in 1980/81 amounted to £1,141m at November 1979 prices. Of this total about 50% is spent in the metropolitan areas (the conurbations) which contain 39% of the population. The headings of expenditure include road maintenance, road safety and public transport revenue support which are eligible for transport supplementary grant, concessionary fares and highways administration which are ineligible. Under block grant all these headings are included within expenditure formulae which relate in some way to per capita allocations. However, the assessment of transport expenditure cannot readily or easily be achieved using formulae, particularly if such formulae do not distinguish between densely and sparsely populated areas.
3. The following paragraphs argue that there is a requirement for higher transport spending in urban areas which should be reflected in the allocation of GRE.

#### Requirement for Higher than Average Spending in Urban Areas

4. Since Metropolitan Counties lose out in the allocation of GRE's for transport services, the block grant system is not meeting metropolitan requirements. In particular the Metropolitan GRE's for public transport and concessionary fares bear no relation to the existing levels of expenditure which are themselves a reflection of need. The points below amplify this, and whilst some relate solely to metropolitan areas, a number apply equally to urban areas in Shire Counties.
5. The density of traffic is higher in urban than in rural areas and this applies to passenger transport, commercial and private traffic. The result is more severe congestion problems with a correspondingly higher need for traffic management expenditure and a greater need for highway maintenance arising from more wear on the road surface particularly from commercial traffic (Department of Transport statistics show figures of 113 and 47 vehicles per kilometre for metropolitan and shire areas respectively in 1978).

6. Traffic density is further affected because urban areas have a wider radius of influence than can be related to local authority boundaries for transport expenditure arising from their role as economic, commercial and leisure centres. For example, the metropolitan areas including London contain 39% of the population of England but 47% of the employment. Consequently traffic flows of both goods vehicles and commuters are substantially higher and hence the need for highways maintenance and public transport revenue support are also substantially higher.
7. With respect to passenger transport, in general total operating costs increase in line with density of population because of the need to cope with the peak demand and high frequency of services necessary for densely populated areas. In fact it has been estimated that the cost of operating a bus at peak is almost three times the cost during the rest of the day, which serves as an illustration of this point.
8. The Metropolitan Counties also have a low car ownership and a consequent need for public transport services. Excluding the GLC, Metropolitan Counties car ownership was in 1979 0.201 cars per head compared with a national average for England of 0.275 cars per head. Indeed, if West Midlands is also excluded (it has a car ownership level at the national average) the remaining five Metropolitan Counties' car ownership was 0.178 in 1979, some 35% below the national average.
9. Metropolitan and Shire County Councils have different statutory obligations towards public transport which affects the need for expenditure. The Local Government Act, 1972 charges Shire Counties with a co-ordinating role in the provision of a public passenger transport system in their area. However, the same Act gave each Metropolitan County the role of passenger transport authority with the consequent responsibilities for passenger transport conferred by the Transport Act, 1968. Thus, for example, Metropolitan Counties must finance the operating deficits of PTE's, whilst Shire Counties do not necessarily have to incur expenditure on revenue support. Furthermore, Section 20 payments made by Metropolitan Counties under the Transport Act impose a heavy financial burden which is not borne by the Shire Counties. The latter gain from the taxpayers' contribution to the Passenger Services Obligation payment to British Rail (£474m in 1981/82 at 1980 prices for England only) but metropolitan areas do not benefit from this.
10. Concessionary fares expenditure meets a perceived need in urban areas, whereas in many rural areas there is either little need or where there is a need there is insufficient public transport available to meet it. But concessionary travel was introduced amongst other things to help fill what otherwise would be empty seats in off-peak services. Thus the introduction of a charge for concessionary travel would not affect the resource requirements of the Executives but could lead to a more than compensating reduction in payments for concessionary travel by County Councils as a consequence of a resistance to travel by those benefiting from such passes.



**Merseyside County Council**

From County Councillor N. C. Goldrein.....  
Messrs. Goldrein & Co.,  
Lloyds Bank Building,  
Please reply to: .....  
11-13 Victoria Street,  
..... LIVERPOOL.. L2. 5QR.....

*Prepared Paul 2*  
*Ami Amis*  
The CPDS study  
of Merseyside which  
you commissioned  
will be ready  
the week after  
next.

22nd May, 1981

The Rt. Hon. Margaret Thatcher,  
Prime Minister,  
House of Commons,  
LONDON.  
SW1A OAA

*12*  
*28/5*

*12/1/5*

*Dear Prime Minister,*

Whilst there may not be much comfort in your letter of the 14th May,  
I appreciate the trouble which you have taken and your detailed reply.

I feel sure that the various matters will be kept in mind so that  
when circumstances permit further action for the benefit of Merseyside  
may be taken.

*Yours sincerely,*

*Michael Goldrein*

Regional Pol.

Pl. 3

Review of Reg. Pol.



10 DOWNING STREET

CF [initials]  
[initials]

CC DCF  
LPO

25

THE PRIME MINISTER

14 May, 1981

Dear Mr. Goldwin,

Thank you for your letter of 16 April commenting on matters raised in our recent discussion. Perhaps I could take up some of your points.

I welcome the initiative taken by Merseyside Ltd. in conjunction with the Manpower Services Commission (MSC) to help unemployed young people. On the question of further support for apprenticeship training, we take the general view that industry itself is responsible for meeting its long-term needs for skilled labour. However, the Government is, through the MSC's Training for Skills Programme, providing substantial funds to help meet, on the margins, the shortfall in critical long-term training requirements as identified by an industrial training board or other representative body on behalf of an industry. Some 25,000 places are currently being supported and future plans provide for continuing support at roughly the same level.

I am afraid there are no surplus funds available for assisting continued training of apprentices after the first year on the lines proposed.

Your paper refers to the possibility of assistance from the European Social Fund. The Fund can provide assistance towards the first year training of apprentices taken on in addition to normal requirements and the MSC receives an allocation

/ from the

R.H.



from the Fund for the Training for Skills Programme. I regret, however, that the Fund cannot provide assistance towards full apprenticeship training nor can it fund 100 per cent of the costs of a scheme. Virtually all schemes for which Fund assistance is sought must be in receipt of financial assistance from public funds. A public body running a scheme can apply for up to 50 per cent of its own expenditure on running costs.

I am afraid that there is no possibility of relocating a Government Department to the Exchange Station site. The 1979 decision not to proceed with the previously planned dispersal moves there was taken only after very careful consideration. There would have been considerable Exchequer costs well into the mid-1980s, and with the overriding need to cut public expenditure we were forced to the conclusion that it did not make sound financial sense to carry them through.

Nevertheless, Merseyside is already having some special treatment. The Government recognized in its review of the dispersal programme in 1979 that Merseyside had special needs, and announced on 20 December of that year that 1,250 Civil Service posts would be dispersed from London to Bootle. Planning for these moves is proceeding and they will be completed as soon as possible. Merseyside in addition is receiving a further 1,200 short-term posts in the Office of Population Censuses and Surveys in connection with the 1981 Census. This is again in Bootle since accommodation there is already available and since the jobs are temporary. I am afraid that this is as far as we can go, and I cannot hold out any hope of any further major relocation of any Government Department to central Liverpool.

On tunnel tolls, I am afraid that there can be no question of writing off any of the debt owed to the Exchequer in respect of the Mersey Tunnel. Shortly after coming to office, we considered very carefully what the Government's policy towards tolled crossings should be, in the light of representations made

/by your

by your Council and other Toll Authorities. You will know from Norman Fowler's Parliamentary Answer of 27 July 1979 that we decided that users of major estuarial crossings should continue to pay tolls sufficient to cover maintenance and the ultimate repayment of the capital debt. I understand that an increase in the level of tolls later this year was proposed which would, of course, help enable the Tunnel's finances to be kept on the right course.

I have taken note of your suggestions that the Speke Enterprise Zone might be extended to cover the whole of the northern airfield and that you would be able to suggest alternative sites in Merseyside should the City Council decide not to adopt the present proposals for Speke.

As you know the City Council have now accepted our invitation to prepare an Enterprise Zone scheme for Speke within boundaries which are effectively determined by the terms of the invitation. In deciding these boundaries, one of the principal considerations was the availability of the land in the fairly short term. Whilst it would be open for the City Council to make a case later on for extension of the Zone when your plans for the airport are firmer, we would not at present wish to change the proposals for Speke - indeed we could not do so without restarting the whole process towards designation.

I understand that British Gas have made detailed studies of the various potential sites for the servicing base (or bases) for the Morecambe gas field. This is a decision on which the company must use their commercial judgement; however, I am sure that the merits of Merseyside will be fully taken into account.

I appreciate your desire to see offshore construction work come to Cammell Laird, though I am sure you will realise that the division of work within British Shipbuilders must remain a matter for that organisation's commercial judgement.

/ I understand

I understand that in fact Cammell Laird and Scott Lithgow tender separately for work and, while Cammell Laird have no offshore work in hand at present, they are actively pursuing a number of possibilities for semi-submersible drilling rig construction.

Turning to the Morecambe project in particular, British Gas propose that development drilling should be carried out from two rigs of a jack-up design (rather than semi submersibles); the first of these has been ordered from UIE at Clydebank, and British Shipbuilders have declined to tender for the second. The production phase will centre around a number of small fixed steel platforms, and it is likely that these will be ordered from established platform fabricators, although this of course will again be a matter for British Gas' commercial judgement.

Yours sincerely  
Ray Goldrein

County Councillor Neville Goldrein

PRIME MINISTER

---

c.c. Mr. Howe

You had a meeting with Councillor Goldrein of Merseyside during your visit to Neston. He followed this up with a letter, asking whether you could offer Merseyside any encouragement from amongst five proposals, preferably before local election polling day.

I am afraid that Departments failed to get responses to us in time for you to write before the elections. (This was partly because Ministers in each Department wanted to vet the suggested replies.)

I attach the draft which we have been able to assemble. This really offers Councillor Goldrein very little. You have already written to him over the weekend to commiserate on the loss of control of Merseyside Council. Do you now wish to write as in this draft, or would you prefer to let matters rest?

*MAD*

11 May 1981

CF 111

2 MARSHAM STREET  
LONDON SW1P 3EB

My ref:

Your ref:

7 May 1981

*Dear Nick*

You wrote to me on 21 April attaching a letter from Councillor Goldrein and asked me to co-ordinate a draft of a reply for the Prime Minister to send before the local government elections. I have received contributions from <sup>\*</sup>Employment, Transport and Energy but not, I am afraid, in time to meet your request. In each case, Ministers naturally wished to agree their Department's offering.

I am not sure how you will wish to handle the reply now - which still awaits a contribution on the principle of dispersal of Government departments to Merseyside. However, a draft is attached.

*Yours ever**Jeff Channing*J P CHANNING  
Private Secretary

*\* since signing, I have heard from Employment who wish to revise their contribution. They will be contacting you direct JPC.*

## DRAFT REPLY TO COUNCILLOR GOLDREIN

Thank you for your letter of 16 April commenting on matters raised in our recent discussion. Perhaps I could take up some of your points.

I welcome the initiative taken by Merseyside Ltd in conjunction with the Manpower Services Commission (MSC) to help unemployed young people. <sup>On the</sup> ~~On the~~ question of further support for apprenticeship training, we take the general view that industry itself is responsible for meeting its long term needs for skilled labour. However the government is, through the MSC's Training for Skills Programme, providing substantial funds to help meet, on the margins, the shortfall in critical long term training requirements as identified by an industrial training board or other representative body on behalf of an industry. Some 25,000 places are currently being supported and future plans provide for continuing support at roughly the same level.

I am afraid there are no surplus funds available for assisting continued training of apprentices after the first year on the lines proposed. ~~Because of the need to contain public expenditure there is also no likelihood of further funds being available in the foreseeable future.~~

Your paper refers to the possibility of assistance from the European Social Fund. The Fund can provide assistance towards the first year training of apprentices taken on in addition to normal

requirements and the MSC receives an allocation from the Fund for the Training for Skills Programme. I regret, however, that the Fund cannot provide assistance towards full apprenticeship training nor can it fund 100% of the costs of a scheme. Virtually all schemes for which Fund assistance is sought must be in receipt of financial assistance from public funds. A public body running a scheme can apply for up to 50% of its own expenditure on running costs.

On tunnel tolls, I am afraid that there can be no question of writing off any of the debt owed to the Exchequer in respect of the Mersey Tunnel. Shortly after coming to office, we considered very carefully what the Government's policy towards tolled crossings should be, in the light of representations made by your Council and other Toll Authorities. You will know from Norman Fowler's Parliamentary Answer of 27 July 1979 that we decided that users of major estuarial crossings should continue to pay tolls sufficient to cover maintenance and the ultimate repayment of the capital debt. I understand that an increase in the level of tolls later this year was proposed which would, of course, help enable the Tunnel's finances to be kept on the right course.

I have taken note of your suggestions that the Speke Enterprise Zone might be extended to cover the whole of the northern airfield and that you would be able to suggest alternative sites in Merseyside should the City Council decide not to adopt the present proposals for Speke.

As you know the City Council have now accepted our invitation to prepare an Enterprise Zone scheme for Speke within boundaries which are effectively determined by the terms of the invitation. In deciding these boundaries one of the principal considerations was the availability of the land in the fairly short term. Whilst it would be open for the City Council to make a case later on for extension of the Zone when your plans for the airport are firmer, we would not at present wish to change the proposals for Speke - indeed we could not do so without restarting the whole process towards designation.

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I understand that in fact Cammell Laird and Scott Lithgow tender separately for work and, while Cammell Laird have no offshore work in hand at present, they are actively pursuing a number of possibilities for semi-submersible drilling rig construction.

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jack-up design (rather than semi-submersibles); the first of these has been ordered from UIE at Clydebank, and British Shipbuilders have declined to tender for the second. The production phase will centre around a number of small fixed steel platforms, and it is likely that these will be ordered from established platform fabricators, although this of course will again be a matter for British Gas' commercial judgement.



CF [Signature]  
30/4

10 DOWNING STREET

THE PRIME MINISTER

30 April 1981

Dear Malcolm,

Thank you for your letter of 8 April following our discussion about the problems and needs of Merseyside.

I too am glad that the City Council have now made progress with the Enterprise Zone at Speke. The Council accepted the Department of the Environment's formal invitation to prepare an Enterprise Zone scheme on 27 March, and on the same day moved on to the next stage of statutory consultations. I very much hope that the Council will maintain this progress so that the Zone can be formally designated by the Summer Recess.

The Merseyside Development Corporation was, as you know, formally established on 25 March but prior to that had made considerable progress in drawing up its development strategy, taking account of discussions with local authorities and other local bodies. Surveys of land conditions within the Corporation's area are in hand and initial projects to begin the substantial reclamation work required are starting. Michael Heseltine, following discussions between the Corporation and the Mersey Docks and Harbour Company has made and laid before Parliament Orders vesting over 500 acres of publicly-owned land in the Corporation and the procedures leading I hope to Parliamentary approval of the Orders are now under way.

Leslie Young is in close touch with Michael Heseltine and you need have no doubt that everyone concerned is fully aware of the need to make the maximum progress possible in reclaiming derelict dockland on Merseyside and to bring in much needed private investment and jobs. There are land acquisition issues still to be

/ decided

812

decided on the Wirral side of the Mersey Development Corporation area: further discussions are well in hand between MDC and MDHC, and there will shortly be a report to Norman Fowler and Michael Heseltine so that these issues can be quickly settled. It did not seem appropriate to include the important Albert Dock site in the initial round of land vesting proposals following a careful examination of the progress which has been made between the Dock Company and the proposed developer. But you may be assured that progress on this key site will be closely watched and if it becomes necessary for the Development Corporation to step in, then action will be taken.

On Liverpool Airport, you may know that the Department of Trade have given a capital expenditure allocation for a new control tower and fire rescue base, designating these projects as ones as of national and regional importance. Officials are in close touch with Merseyside County Council about the development proposals referred to in the letter to you from the Airport Director which you enclosed, and urgent consideration will be given to any proposals submitted by the County Council.

Yours sincerely,

(sgd)

MT

Malcolm Thornton, Esq., M.P.

From the Private Secretary



*Your file!*  
~~GR CF~~  
DOE part still  
**Civil Service Department**  
Whitehall London SW1A 2AZ  
01-273 4400

*to come?*

30 April 1981

*MJS*

*1/5*

*Yes*

Nick Sanders  
10 Downing Street  
LONDON SW1A 2AA

*Dear Nick,*

Thank you for sending me a copy of your letter of 21 April to Jeff Channing. With his approval I am sending our contribution on the second paragraph of the note attached to Councillor Goldrein's letter direct to you.

*Yours sincerely,  
Jim Buckley.*

J BUCKLEY

EXCHANGE STATION SITE - GOVERNMENT OR EEC DEPARTMENTS

I am afraid that there is no possibility of relocating a Government Department to the Exchange Station site. The 1979 decision not to proceed with the previously planned dispersal moves there was taken only after very careful consideration. There would have been considerable Exchequer costs well into the mid-1980s, and with the overriding need to cut public expenditure we were forced to the conclusion that it did not make sound financial sense to carry them through.

Nevertheless Merseyside is already having some special treatment. The Government recognized in its review of the dispersal programme in 1979 that Merseyside had special needs, and announced on 20 December of that year that 1,250 Civil Service posts would be dispersed from London to Bootle. Planning for these moves is proceeding and they will be completed as soon as possible. Merseyside in addition is receiving a further 1,200 short-term posts in the Office of Population Censuses and Surveys in connection with the 1981 Census. This is again in Bootle since accommodation there is already available and since the jobs are temporary. I am afraid that this is as far as we can go, and I cannot hold out any hope of any further major relocation of any Government Department to central Liverpool.

VM



Reg Pd

2 MARSHAM STREET  
LONDON SW1P 3EB

My ref: H/PSO/13487/81

Your ref:

28 APR 81

GR

for PM/1

CCES  
29/4

Dear Nick

Thank you for your letter to David Edmonds dated 10 April enclosing a copy of a letter the Prime Minister has received from Malcolm Thornton MP, about the Merseyside Urban Development Corporation and Liverpool Airport.

/ I enclose a draft (cleared with Trade) which the Prime Minister may wish to send to Mr Thornton.

Yours ever

Jeff Channing

J P CHANNING  
Private Secretary

Nick Sanders Esq

DRAFT LETTER FOR PRIME MINISTER TO SEND TO MALCOLM THORNTON ESQ MP

Thank you for your letter of 8 April following our discussion about the problems and needs of Merseyside.

I too am glad that the City Council have now made progress with the Enterprise Zone at Speke. The Council accepted the Department of the Environment's formal invitation to prepare an Enterprise Zone scheme on 27 March, and on the same day moved on to the next stage of statutory consultations. I very much hope that the Council will maintain this progress so that the Zone can be formally designated by the Summer Recess.

The Merseyside Development Corporation was, as you know, formally established on 25 March but prior to that had made considerable progress in drawing up its development strategy, taking account of discussions with local authorities and other local bodies. Surveys of land conditions within the Corporation's area are in hand and initial projects to begin the substantial reclamation work required are starting. Michael Heseltine, following discussions between the Corporation and the Mersey Docks and Harbour Company has made and laid before Parliament Orders vesting over 500 acres of publicly-owned land in the Corporation and the procedures leading to Parliamentary approval of the Orders are now under way.

Leslie Young is in close touch with Michael Heseltine and you need have no doubt that everyone concerned is fully aware of the need to make the maximum progress possible in reclaiming derelict dockland on Merseyside and to bring in much needed private investment and jobs. There are land acquisition issues still to be decided on the Wirral side of the Mersey Development Corporation area: further discussions are

well in hand between MDC and MDHC, and there will shortly be a report to Norman Fowler and Michael Heseltine so that these issues can be quickly settled. It did not seem appropriate to include the important Albert Dock site in the initial round of land vesting proposals following a careful examination of the progress which has been made between the Dock Company and the proposed developer. But you may be assured that progress on this key site will be closely watched and if it becomes necessary for the Development Corporation to step in, then action will be taken.

On Liverpool Airport, you may know that the Department of Trade have given a capital expenditure allocation for a new control tower and fire rescue base, designating these projects as ones as of national and regional importance. Officials are in close touch with Merseyside County Council about the development proposals referred to in the letter to you from the Airport Director which you enclosed, and urgent consideration will be given to any proposals submitted by the County Council.





*From the Secretary of State*

Councillor F K Burlinson  
Chairman  
Airport Committee  
Merseyside County Council  
Liverpool Airport  
Liverpool  
L24 8QQ

✓ MS  
— for over  
Merseyside CF file pl

24 April 1981

24/4

*Dear Councillor Burlinson,*

The Prime Minister has asked me to reply to your letter of 2 April concerning the provision of a new apron at Liverpool airport as part of a scheme to introduce private sector involvement in the proposed development of the airport.

I was very pleased to note that this Department's decision to designate the new Control Tower and Fire/Rescue Base as a project of national importance has been so well received on Merseyside. We reached that view not only on operational and safety grounds but also because we recognise that in the long term Liverpool airport will operate more efficiently if the present airport facilities can be rationalised around the main runway.

As you have recognised, there are, at present, severe restraints on the available public expenditure provision for capital expenditure by local authorities on their airports. I am therefore gratified to learn that your approaches to the private sector for alternative funds for investment in the proposed new terminal provide some grounds for optimism. I know that officials from my Department and the Department of Environment have been in close touch with you and the airport authority about this scheme and I hope that it will prove



*From the Secretary of State*

possible for the Council to be able to put together an acceptable financial package with a suitable developer. Meanwhile we have also noted the importance you attach to the early provision of an apron beside the proposed new terminal. Clearly this needs to be looked at in conjunction with the proposed development of the new terminal and associated facilities and in the light of the continuing restraints on increased public expenditure. You may rest assured, however, that this proposal will be given very careful consideration by the Departments concerned.

*Yours sincerely*

*John Biffen*

JOHN BIFFEN

FILE

VLB

21 April 1981

I am writing on behalf of the Prime Minister, who is on an overseas visit, to thank you for your letter of 16 April. I shall of course place it before her as soon as she returns to London, and a reply will be sent to you as soon as possible.

N J SANDERS

County Councillor Neville Goldrein

FILE

VLB

cc D/M D/T  
CSD D/N  
D/Tpt D/I

Councillor Goldrein

Merseyside Council

21 April 1981

Councillor Goldrein, the Leader of Merseyside County Council, has sent us the attached letter, following up his brief conversation with the Prime Minister during her visit to the Wirral on 10 April. He is hoping for a reply before 7 May.

I should be grateful if, in consultation with other Departments as necessary, you would let me have a draft reply for the Prime Minister to send to Councillor Goldrein, to reach us here by Friday, 1 May.

BF

I am copying this letter and its enclosure to Richard Dykes (Department of Employment), Jim Buckley (Civil Service Department), Anthony Mayer (Department of Transport), John Rhodes (Department of Trade), Julian West (Department of Energy) and Ian Ellison (Department of Industry).

N J SANDERS

Jeff Channing, Esq.,  
Department of the Environment.



# Merseyside County Council

C/7 pps

County Councillor Neville C Goldrein MA (Cantab)  
Leader of the Council

PO Box 95  
Metropolitan House  
Old Hall Street  
Liverpool  
L69 3EL

R18/4

Telephone 051-227 5234

The Prime Minister  
The Rt. Hon. Margaret Thatcher, M.P  
10 Downing Street  
LONDON

16th April 1981

*Dear Prime Minister,*

I would first like to thank you most sincerely for giving me some of your very valuable time and for listening to the matters I raised on behalf of Merseyside. I fully realise that the Government does not have money to spare and that anything we ask for must cost little or nothing. However, if you manage to bring something out of the bag before the 7th May, clearly it would be of very great assistance.

...

I attach a separate sheet setting out very briefly the ideas I mooted to you and, if you would like further information directly or through your offices, I should be very happy to send it to you.

Once again, I extend my most grateful thanks.

*Yours sincerely,  
Neville Goldrein*

THE MATTERS RAISED IN DISCUSSION BETWEEN  
THE PRIME MINISTER AND THE LEADER OF  
MERSEYSIDE COUNTY COUNCIL

---

1. Young People - Apprenticeship

As I pointed out, there are some 22,000 unemployed youngsters in Merseyside which matches the unemployment of a similar age group in the whole of Greater London. We, the County Council, have formed a company, Merseyside Limited, and one of its subsidiaries will be a company for training youngsters in conjunction with Manpower Services Commission. These companies depend very much upon the co-operation of the private sector, who are, indeed, involved in the structure at Board level.

We are hoping that we will be able to use the old Liverpool Royal Infirmary as a training centre, and it is possible that up to 1,000 youngsters may be given training in the course of any one year.

The problem is that after that year they go back on to the unemployment list. I was suggesting that it may be possible for the Government to arrange for industry to assist in their further apprenticeship, so that, instead of the employer having to pay 90% of a skilled person's wage, he only pays perhaps 50%, with MSC paying the balance. Alternatively, perhaps the money may be obtainable from the European Social Fund.

2. Exchange Station Site - Government  
or EEC Departments

As you know, there is the large area of 'desert' which was Exchange Station and which was at one time to be used for relocation of a Government department. If such a department could be relocated here it would be a tremendous help, not only for employment but also to morale and confidence. There is a lot of white collar experience in Merseyside - insurance, shipping, service industries, etc. This

would help in improving the appearance of the City (and County) centre but the restoration of confidence amongst our citizens would be even more important.

If we are respectable enough for a main Government Department in the County Centre, it would encourage others.

### 3. Tunnel Tolls

We are getting something of a complex about the Mersey Tunnel finances, thanks to the unusual financing straitjacket imposed upon us. Instead of being triumphant that we are reaping £7 million per annum from the private motorist, we are miserable about the apparent increase of our indebtedness. This was due to the provision of the £40 million second crossing of the Mersey in 1970 which has not resulted in attracting sufficient additional traffic. The debt outstanding is now £78 million, £30 million of which we owe to the DOE. Ideally we should like an undertaking that the tolling of the tunnels will cease as soon as practicable but in the short term specific remission of some of the outstanding debt would be more than helpful. It will keep the toll levels down. As things stand, people commuting from one part of the County to another will shortly be paying 80p per day return in the car apart from parking and motoring expenses. If London Bridge levied a toll of this proportion it would divide the Greater London County.

### 4. Enterprise Zone

As I mentioned, the old airport is included in the Enterprise Zone, but it would be of tremendous assistance if the new airport with its single runway could also be included. By that means we could hope to develop the new airport and to lease further land for industry. Incidentally, if Liverpool City cool off on the Enterprise Zone, we can always find another very suitable area within the County. My Airport Chairman wrote to you on the 2nd April but I am sure he would consider it no discourtesy

if your response to that letter were incorporated in your reply to me.

5. Off-shore Gas

I confirm that I have had long and very friendly discussions with Sir Dennis Rooke and the Gas Corporation to put Merseyside at the head of those offering facilities for servicing of the off-shore gas field. I understand that the gas itself will come on shore at Barrow-in-Furness and so take some industry to that area. If the servicing could be from Merseyside, with its superb connections, it again would be of tremendous help in every way to the County. I also think that Cammell Laird Shipbuilders, with their tremendous expertise, could probably construct the semi-submersibles, particularly if some of the work was sent there which is otherwise given to Scott Lithgow.

---





10 DOWNING STREET

*From the Private Secretary*

10 April 1981

BE 24/4

JS  
e.d.T.  
Regional Policy

I attach a copy of a letter the Prime Minister has received from Malcolm Thornton, MP, about the Merseyside Urban Development Corporation and Liverpool Airport. The Prime Minister has seen this letter and would like to reply herself. I should be grateful if, in consultation with the Department of Trade, you could let me have a draft reply for the Prime Minister to send to Mr. Thornton, to reach us here by Friday, 24 April.

I am copying this letter, and its enclosure, to Stuart Hampson (Department of Trade).

N. J. SANDERS

D.A. Edmonds, Esq.,  
Department of the Environment.

24



10 DOWNING STREET

PRIME MINISTER

---

Here is a letter from Malcolm Thornton following up the recent conversation with him about Merseyside. He raises the problems arising over the Urban Development Corporation and Liverpool Airport.

Shall I take both of these up, with Mr. Heseltine and Mr. Biffen respectively?

*Yes please*

*mb*

*MS*

9 April 1981



10 DOWNING STREET

*From the Private Secretary*

9 April 1981

I am writing on behalf of the Prime Minister to thank you for your letter of 8 April which I will place before her at once. A reply will be sent to you as soon as possible.

NJS

Malcolm Thornton, Esq., MP.

EB



From: MALCOLM THORNTON, M.P.

2016  
29/4

HOUSE OF COMMONS  
LONDON SW1A 0AA

8th April 1981

The Rt. Hon. Margaret Thatcher, M.P.,  
Prime Minister,  
10 Downing Street,  
London SW1

Dear Prime Minister

My only regret concerning our recent very long conversation on the problems and needs of Merseyside is that those critics of the Government's supposed lack of concern for the area were unable to see you and hear what you had to say. It was quite clear to us all that not only do you understand the problems but also you care about solving them.

The fresh impetus that your intervention has achieved for the Enterprise Zone is much appreciated and I hope now that we can maintain the thrust and so satisfy those companies that are anxiously awaiting determination of the Zone's limits.

There are two further matters which are relevant to our talk and to which I should like to draw your attention. Firstly, it is vital that the Merseyside Development Corporation gets under way as soon as possible in order that tangible results will be evident by the time of the next General Election. Leslie Young, the Chairman, is extremely concerned at the delay arising from a degree of intransigence by the Mersey Docks and Harbour Company. This relates to the Albert Dock Development which is the show piece of the U.D.C. and for which the Dock Company has certain "indefined" proposals with a developer. Leslie Young feels - and I strongly support him - that the development of this key site should be undertaken by the U.D.C. I know he has spoken to Michael Heseltine and Tom King about this but it does seem to me that, as large sums of public money are going to the Dock Company, some pressure can be exerted to ensure some rapid decisions at least.

Secondly, the development of the Liverpool Airport is at a crucial stage and is, of course, linked closely with the Enterprise Zone. The enclosed letter from the Airport Director sets out fully the present position. From figures I have seen, I do not believe that the financial support to which he refers (for the apron area) amounts to a great deal. I believe it would be an incalculable stimulus to the private developers who are now showing such interest.

cont.....



(2)

I believe that a number of factors that will help Merseyside are about to come together. A little bit of help at this stage will do wonders.

Yours ever,

Malcolm.

Enc.



TMP  
ccD/1

10 DOWNING STREET

THE PRIME MINISTER

7 April 1981

Dear Mr. Bristol,

Thank you for your letter of 24 March relating to a possible order for a semi-submersible drilling rig from Cammell Laird.

An order for Cammell Laird would certainly be very welcome indeed. We are urgently considering your proposals with a view to a decision by the end of this week.

Yours sincerely

Margaret Thatcher

Paul Bristol, Esq.

JS



cc: E(EA)

ds

10 DOWNING STREET

From the Private Secretary

O/Emp  
OOE  
SO  
WO  
D/Trade  
7 April 1981  
O/En

Chief Sec, Hmt.

+ DHSS

CO

You wrote to Mike Pattison on 6 April enclosing a draft letter for the Prime Minister to send to Mr. Paul Bristol, Chairman of KCA International, about his plans to build a semi-submersible drilling rig at Cammell Laird. The Prime Minister has written to Mr. Bristol saying that his proposals are being urgently considered, with a view to a decision by the end of this week.

You reported that Mr. Bristol had indicated that he would be withdrawing his proposal today (Tuesday) because of the delay in reaching a decision on it. He has now agreed, at the suggestion of Mrs. Chalker, to keep his proposal on the table until Thursday, when a meeting of E(EA) has been arranged to consider the matter. It is clearly essential that E(EA) should reach a firm decision one way or the other at their meeting.

I am sending a copy of this letter to the Private Secretaries to members of E(EA), John Hughes (Mrs. Chalker's office, DHSS), and David Wright (Cabinet Office).

T. P. LANKESTER

Mrs. Catherine Bell,  
Department of Industry.

RH



*Regional Policy*

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

01 211 6402

M A Pattison Esq  
Private Secretary to the  
Prime Minister  
10 Downing St

*TL*  
*6/4*  
6 April 1981

*Dear Mike,*

You sent me a copy of your letter of 25 March to Catherine Bell covering one Mr Paul Bristol had written to the Prime Minister.

As you know, Mr Bristol is concerned that he is not getting the support his proposal deserves from the Government. He has indicated that he will withdraw from his scheme ~~this~~ week informing the press of his reasons. This would be a tragedy not only for British Shipbuilders' offshore division, but also Cammell Laird and Merseyside generally.

The Chief Secretary has said that he cannot agree to the request that British Shipbuilders offer Mr Bristol's company, KCA, the guarantee they are seeking. When this subject is discussed at E(EA) on Thursday 9 April my Secretary of State will be working for a favourable decision.

I am sending copies of this letter to Catherine Bell and John Hughes (Mrs Chalker's Office, DHSS).

*Yours ever,*

G S DART  
Private Secretary

*Geoff Dart*



3  
PRIME MINISTER

The Chairman of KCA International, one of the up and coming North Sea companies, has written to you about a proposal they have made for the building of a semi-submersible drilling rig at Cammell Laird. The proposal requires a Government guarantee against part of the financing.

E(EA) are to consider this on Thursday. The KCA Chairman had told DOI that he was withdrawing his proposal because of the Government's delay in reaching a decision. Mrs. Chalker has, at my suggestion, now spoken to him and asked him to postpone a decision until after E(EA) have met; he has agreed. Nonetheless, I think it would be useful if you could send a short letter. I attach a draft.

6 April 1981

file

JS



Clk. BURLINSON

MERSEYSIDE C.C.

10 DOWNING STREET

28/4

From the Private Secretary

6 April 1981

*Len Stuart*

Councillor F.K. Burlinson of Merseyside has sent the Prime Minister the attached letter about Speke Airport.

Speke was discussed at last week's meeting about Merseyside. The Prime Minister would be grateful if your Secretary of State could reply on her behalf. Could we please have a copy of the reply for our records in due course.

*Yours ever*

*Mia Paterson*

Stuart Hampson, Esq.,  
Department of Trade.

*ds*



PS/Secretary of State for Industry

2 PPS.  
BF  
DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB

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

c/7?  
R/R  
R/G  
April 1981

Mike Pattison Esq  
Private Secretary  
10 Downing Street  
London SW1

Note:

Chalker has spoken to

Bristol who will hold

off until Thursday, when

(KCA) will discuss.

Dear Mike

You wrote to me on 25 March enclosing a letter of 24 March from Mr Paul Bristol, Chairman of KCA International, about his plans to build a semi-submersible drilling rig at Cammell Laird on Merseyside for delivery in June 1983.

The basis of Mr Bristol's proposal is a tax lease where the lessor will be a consortium of banks and the primary lessee a major oil company; KCA will act as operators. However, it will not be possible to recoup the full capital and financing costs during the primary charter period and the leasing bank need security to cover the remainder of the capital cost. Mr Bristol has therefore sought a Government or similar guarantee to cover this shortfall (known as the residual value) in the event that satisfactory secondary charters cannot be secured. Officials here and at the Department of Energy have examined these proposals closely and have concluded that they could form a workable deal. This would be on the basis of British Shipbuilders giving a guarantee of not more than £12 million (about half the residual value, the banks taking the rest of the risk) to come into effect not earlier than four years after delivery.

Cammell Laird currently presents severe problems. Last autumn Ministers endorsed BS's proposals to withdraw the yard from merchant shipbuilding and concentrate on naval and offshore work. Because of the reduction in surface warship orders, it seems doubtful that Cammell Laird will receive any new naval orders, and it appears unlikely that alternative offshore work can be secured at this stage without some form of help. There is clearly



a risk of major redundancies at Cammell Laird which will only exacerbate the already difficult unemployment problem on Merseyside. There are therefore attractions in the KCA proposal which at least involves no immediate call on cash or addition to BS's losses, although there is of course a risk that the guarantee could be called several years in the future. Norman Tebbit was unable to persuade the Chief Secretary to agree to this proposal and it will be considered in E(EA) on Thursday.

Meanwhile, Mr Bristol has indicated that he will be proposing to his board on Tuesday that they should withdraw from the proposal. He gives as his reason the delays in the Government reaching a decision and has stated his intention of informing the press of his decision and the reason for it. Whilst there may be an element of bluff in Mr Bristol's latest stance, he has not been averse to talking to the press in the past.

With the current state of play, it is not possible for a substantive reply to be sent to Mr Bristol. But I suggest that the Prime Minister might send an interim reply indicating that a decision is imminent.

... A short draft is therefore attached.

*Yours ever*

*Catherine*

CATHERINE BELL  
Private Secretary



DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO:

Paul Bristol Esq  
Chairman and Chief Executive  
KCA International Limited  
9th Floor  
Berkeley Square House  
Berkeley Square  
London W1X 6BY

Thank you for your letter of 24 March relating to a possible order for a semisubmersible drilling rig from Cammell Laird.

An order for Cammell Laird would certainly be very welcome. I understand that your imaginative proposals are being looked at in depth. I expect, however, that a decision will be taken very shortly.

*in need*



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3BB

Mike Pattison Esq  
Private Secretary to  
the Prime Minister  
10 Downing Street  
LONDON  
SW1

3 April 1981

Dear Mike,

MERSEYSIDE

Thank you for sending me a copy of your letter of 30 March to David Edmonds.

There are no immediate issues on the transport side which would justify an extension to Merseyside of the Prime Minister's visit to Cheshire on 10 April. If in the light of other comments the Prime Minister does decide to extend her visit, we of course stand ready to help.

We would contribute on two areas in particular. First there is the Mersey Docks and Harbour Company. My Secretary of State is in fact visiting them today. The major issue here at the moment is the special scheme designed to encourage dock workers on Merseyside to take voluntary redundancies. This scheme finishes at the end of April and seems to be going very well. The broader question of the future port operations on Merseyside will be considered in the summer when their Corporate Plan will be available. There is little to be said at the moment.

The second area is the Liverpool Inner Ring Road. This is the direct responsibility of the Merseyside County Council. There is, at the moment, a rather bitter dispute about whether the scheme should go ahead between the county council and the district council, and within the county council itself. This would inevitably attract questions to the Prime Minister on any visit to Merseyside.

Yours,

Anthony Mayer

R A J MAYER  
Private Secretary



## 10 DOWNING STREET

CLIVE

The PM was fretting a little about the possibility of descending on Liverpool next Friday and Speeding Things Up.

I stalled. In response to Mike's letter following up last Monday's meeting, DOE and DoI say that they wouldn't press her to extend the Neston programme, but DE and the CPRS (both attached) have returned to the possibility. It's now too late to have a proper meeting with the local authorities, and the PM acknowledged today that a factory visit on its own wouldn't do much. May we pl discuss? MS 314



CONFIDENTIAL

Qa 05305

To: MR PATTISON

3 April 1981

From: J R IBBS

Merseyside

1. In your letter to David Edmonds dated 30 March you asked for views on whether the Prime Minister could usefully speak about or visit Merseyside on 10 April.
2. The CPRS view remains as set out in our note dated 20 March. We believe that a visit by the Prime Minister specifically to Merseyside after April 10 would be desirable and that there would be advantage in announcing this before or on April 10.
3. As regards April 10 itself, as stated in our note we favour arriving at Speke Airport rather than Hawarden so that in going from Speke to Neston the Prime Minister would see something of Merseyside. This would be a good lead-in to her intention to return and see more of the area. We have some doubts about whether a series of specific Merseyside engagements added on at short notice to the programme for April 10 would be appropriate; it should be possible to focus such visits better on a later occasion when some of the points raised in our note have been investigated further. However, we believe it would be useful for the Prime Minister to speak about Merseyside while at Neston.
4. I am sending a copy of this minute to David Wright.

JRI

CONFIDENTIAL





Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213.....6400.....

Switchboard 01-213 3000

M A Pattison Esq  
Private Secretary  
10 Downing Street  
LONDON SW1

3 April 1981

*See file*

MERSEYSIDE

Thank you for copying to us your letter of 30 March to David Edmonds about the possibility of the Prime Minister making a visit to Merseyside. In our view it would be useful if the Prime Minister was able to spend a day there in July as you suggest. Besides giving her a first hand view of the situation, such a visit would we feel, be taken by the people there as an indication of the Prime Minister's interest in their problems.

We should have no difficulty in suggesting a programme for the Prime Minister, including a meeting with the Local Authority representatives and perhaps a visit to an Enterprise Zone or Urban Development Corporation. She might also visit a Youth Opportunities Programme project to see what is being done for some of the young people, and perhaps a firm which has been attracted to Merseyside and is doing well there.

Irrespective of whether or not the Prime Minister is able to fit in a visit in July, we think it might also be useful if she could spare a couple of hours on 10 April to visit a factory on Merseyside when the opportunity might be taken to mention that she hoped to be able to make a longer visit to the area later in the year.

I am copying this letter to recipients of yours.

*Yours sincerely*  
*John Anderson.*

J ANDERSON  
Private Secretary

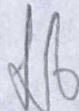
ds

3 April 1981

I am writing on behalf of the Prime  
Minister to acknowledge your letter of  
2 April, which is receiving attention.

M A PATTISON

Councillor F.K. Burlinson





10 DOWNING STREET

PRIME MINISTER

Councillor Burlinson of Merseyside seeks to enlist your support for a further aspect of possible development at Speke airport.

At the Merseyside meeting (after you had left) Mr. Biffen made it clear that he saw very little justification for further Government finance for Speke, given the status of Manchester airport. Should we ask Mr. Biffen to reply to this?

*Yes*  
*MP*  
*mt*

3 April 1981

Review  
of Report  
of Planning



PA

MS

10 DOWNING STREET

CLIVE to see <sup>now</sup> ~~see~~ <sub>bin.</sub>

TMM Perhaps convey the <sup>Yes, I</sup> <sub>think</sub>  
PM's response orally?

MS

to have spoken <sub>6/4</sub>

to Treasury,

JL

6/4

PRIME MINISTER



To see.

MS

3/4

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

*I think the Chancellor is underestimating the impact about Merseyside*  
*ms*

PRIME MINISTER

MERSEYSIDE AND REGIONAL POLICY

I am sure that our meeting on 30 March will be a valuable guide in helping us to take account of the special political and social problems on Merseyside. The decisions we took should help to ensure that existing programmes are managed more efficiently, and it will be very important to follow them through.

2. But it will be important not to build up excessive expectations, and to avoid any announcement or implication that we are devising some special sort of extra package for Merseyside. The review of the regional map commissioned by E(EA) demonstrates that there are a number of areas in Great Britain with unemployment levels comparable to those on Merseyside, or even higher.

3. Thus it would be damaging to take steps in Merseyside which we could not embark on or justify elsewhere on value for money grounds. It would be particularly repercussive to concede any special access to regional policy incentives in Merseyside that was not available in other Special Development Areas, whether in the North of England or in parts of Scotland or Wales. It would be reasonable to give Merseyside priority in planning and allocating resources

/for the Government



for the Government advance factory building programme. We have followed this approach for example in the steel rundown areas of England and Wales. But we could not for example expect to set up special regional arrangements to stimulate the service sector on Merseyside without setting up irresistible pressure from other Special Development Areas throughout Great Britain for comparable treatment.

4. This Government has, of course, already agreed that Merseyside should have both an Urban Development Corporation and an Enterprise Zone. Outside London no other area of England has both. This demonstrates our willingness, within the framework of existing policies, to give special help to Merseyside. So too, of course, will the way in which we are now considering and presenting our policies towards the area.

5. I am sending copies of this minute to the Secretaries of State for Industry, Employment, Environment, Trade, Transport, Scotland and Wales, and to Sir Robert Armstrong and Mr Ibbs.

R. T. Tolkien,

for,

(G.H.)

3 April 1981

[ Approved by the Chancellor  
and signed in his  
absence ]



## Merseyside County Council

From County Councillor .. F. K. Burlinson, .....

Please reply to: ..... Liverpool Airport, .....

..... Liverpool. ....

..... L24 8QQ. ....

2nd April, 1981

The Prime Minister,  
The Right Hon. Mrs. M. Thatcher,  
10 Downing Street,  
London.

Dear Mrs. Thatcher,

I am aware that you have been having discussions with Malcolm Thornton, Lynda Chalker, David Hunt and Anthony Steen regarding the regeneration of Merseyside. You may know also, that during the last four years I have been relentlessly pursuing the same end, as the Airport Chairman.

The Government's recent special allocation of funds to enable a new Control Tower and Fire Station to be constructed at the Airport, was particularly well received and the latest commitment by the Government to the Enterprise Zone at Speke, has created an air of excitement in the area.

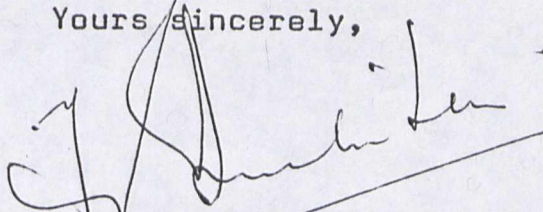
The lack of normal grant aid together with capital restraints on local authorities for national airport use has prompted us at Liverpool vigorously to pursue the Private Sector with a view to the development of a new terminal facility. Today the results of our approaches to the Private Sector are most encouraging. There is however, one problem which the Private Sector is reluctant to examine - the construction of an apron to serve the new development, as this would not attract a return on their investment.

I understand that you are enthusiastic about assisting Merseyside and I believe that if the Government were to provide in one way or another the apron, then this would be the catalyst which will enable both the Airport, The Enterprise Zone and the release of nearly 500 acres on the old airfield to be progressed very rapidly.

CONT'D.

The potential of such an overall concept is enormous. I know that officers from the Department of the Environment are looking closely at the issue and I hope that the Government may find a way to progress the matter along the lines which I have suggested to you.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'F. K. Burlinson', written over a horizontal line.

F. K. Burlinson, C.C.,  
Chairman,  
Airport Committee,  
Merseyside County Council.





# Merseyside County Council

Airport Department

R Rufus MinstAM  
Airport Director

M. Thornton, Esq.,  
Member of Parliament,  
Rogart,  
Beverley Drive,  
Gayton,  
Heswall.  
L60 3RP.

Liverpool Airport  
Liverpool  
L24 8QQ

Telephone 051-494 0066

Extn.

Telegrams Civilair Liverpool

Your ref.

Our ref.

RR/DF

Date 2nd April, 1981

Dear

*Sir*

May I thank you for your time and your support which you have given us regarding the provision of a Duty Free Shop at Liverpool Airport.

I thought I would take the opportunity to advise you of the broader developments which are now beginning to take place at Liverpool Airport and will inevitably require your support. As I mentioned when we met it is my firmly held conviction that Liverpool Airport has a bright future, but in order to ensure this, it is necessary for us to create the necessary facilities adjacent to our southern runway. As you know we are endeavouring to conform to Central Government policy regarding the involvement of Private Sector capital to produce the necessary developments on the southern site.

A great deal of interest is currently being expressed by the Private Sector and this has been shown through written commitment by a nationally known company, regarding their injection of about £ $\frac{1}{2}$  million into surface car parking and a further half a million or so in freight warehousing. A number of property investment groups have contacted me recently and wish to get involved in the development of the southern airfield. However, there is one particular area which concerns me greatly and that is the provision of an apron to serve the terminal and other buildings to be constructed on the southern site.

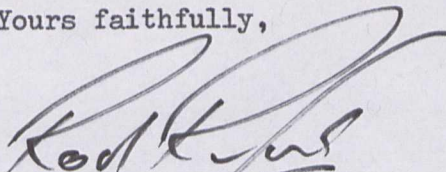
As you know Merseyside County Council has demonstrated its commitment to the future by letting a contract to Unit Construction Limited (a Liverpool Company), to construct a new VCR Control Tower and Fire & Rescue facilities. This has produced jobs in your constituency, which as you know are much needed. In addition, it has acted as a catalyst in stimulating interest in the possibility of injecting capital into the further development of the southern site. Central Government financial support in providing funding from whatever source for the apron area would be a further stimulus to the Private Sector, as then it would be seen that not only Merseyside County Council, but also Central Government would be supporting the development of Liverpool Airport. At the same time such financial provision would release approximately 440 acres of the northern airfield for alternative forms of development. This would also enhance the opportunities within the proposed Enterprise Zone, as it would mean an earlier release and availability of this land for alternative forms of development.

CONT'D.

It goes without saying of course, that much needed jobs would be created both in the construction stage and subsequently in the event of us being able to make real progress in the achievement of the objectives that I have described.

I apologise for the somewhat disjointed nature of this letter, however I am sure you will forgive me as it is important for matters to proceed as swiftly as possible.

Yours faithfully,

A handwritten signature in black ink, appearing to read "R. Rufus". The signature is fluid and cursive, with a large initial "R" and a long, sweeping underline.

R. Rufus,  
Airport Director.

SF  
Revised  
MAR  
3.4.80

2.



2 MARSHAM STREET  
LONDON SW1P 3EB

Prime Minister

My ref:

Your ref:

Mr Heseltine mentioned  
the Manchester deputation  
during Monday's Merseyside  
meeting. The ~~press~~ report  
carried by the Manchester

30 March 1981

Evening News was certainly helpful. *MPD*

I believe that my Secretary of State mentioned at this morning's meeting to discuss Merseyside that he received a deputation from the City of Manchester last week, led by Gerald Kaufman, following an exchange of correspondence which Charles Morris had with the Prime Minister. I understand that the Secretary of State said that he would circulate to colleagues a copy of the Press Notice which he issued following the meeting together with the report carried by the Manchester Evening News on its outcome. The Press Notice and press cutting are attached.

I am copying this letter plus enclosures to Ian Ellison, Anthony Mayer, Stuart Hampson, Richard Dykes, John Wiggins, David Wright and Gerry Spence.

*Yours sincerely*  
*J. Jacobs*

J JACOBS  
Private Secretary

Mike Pattison Esq

## Press Notice

135

*Heel*

MICHAEL HESELTINE RECEIVES MANCHESTER DEPUTATION

24 March 1981

Michael Heseltine, Secretary of State for the Environment, today received a deputation from Manchester about the City's economic and industrial situation.

Mr Heseltine explained the acute difficulty of the position he faced. When he came to office he found that investment in local authority services had been halved in the previous five years. If he now asked the Chancellor to borrow more money whilst industry was suffering under the worst recession since the 1930s it would only send interest rates up, keep inflation up and put off the national recovery. But even in difficult world circumstances the City Council could do much more to help themselves. Manchester had one of the highest rate poundages in the country and had now raised it this year by 35%. That would worsen the employment situation and drive jobs away to authorities that took more interest in their ratepayers. At the same time the City employed more staff per thousand population than any other authority in the country - 83 people per thousand as against an average of 40-50.

The Secretary of State stressed that those historical attitudes and assumptions which had fuelled ever-increasing consumption at the expense of capital investment had to change. This applied to the City of Manchester as elsewhere. The essential need was for the City to make economies in their own operations so as to relieve the burden they themselves were placing on their own ratepayers - particularly industry and commerce.

He went on to assure Manchester that the Government fully recognised the economic problems of the north-west and that they were active in doing what they could to help. The Inner City Partnership with Manchester brought millions of pounds a year for inner city development. The Government was establishing registers of vacant land owned by local authorities and nationalised industries so that sites could be identified and possibly sold to help with environment and job creation.

The Right to Buy provisions of the new Housing Act, Mr Heseltine explained, gave authorities the opportunity to realise substantial cash that would enable them to add to housing investment. He urged the City to consider encouraging the building of more houses for sale to widen housing choice within the City as Liverpool was doing on a substantial scale.

The Rate Support Grant had been assessed on a basis that fully recognised Manchester's needs.

More generally, the reduced interest rates introduced by the Budget were a major turning point enabling industry and commerce to seize new opportunities for development and economic revival.

"This is now the time to put aside party differences and work for the good of the whole community. The Government had created many new opportunities to which I hope Manchester will respond. In that way they can help their local people and their local environment most effectively."

Press Inquiries: 01-212 3492/3  
Night Calls (6.30 pm-8.00am)  
Weekends and Holidays: 01-212 7071

Public Inquiries: 01-212 3434; ask  
for Public Inquiry Unit

16 1, 2, 3  
Mr Cabot  
F (4)  
Mr Young

# City told: Cure in your hands

## HESELTINE LAYS IT ON THE LINE

STAFF REPORTERS

MANCHESTER was told today: The answer to your problems lies in your own hands.

Environment Secretary Michael Heseltine said this after a 90-minute meeting with a delegation of city MPs and council, business and community leaders.

But the meeting with Mr Heseltine was dismissed by Openshaw Labour MP Charles Morris as "a dialogue of death".

Mr Morris, secretary of the North West Labour MPs' group, said: "We endeavoured to highlight the plight of Manchester and were met with party political slogans."

"Mr Heseltine suggested that Manchester should further increase its rents, cut town hall staff and sell more of its council houses."

In a statement after the meeting, Mr Heseltine said the city had the highest rate percentage in the country and this had now been increased by another 35 per cent.

He also pointed out that Manchester city council employed more staff per thousand population than any other in the country. This was 83 per thousand, compared with an average of 40 to 50.

Mr Heseltine said it was essential for Manchester to make economies to relieve the burden on ratepayers.

The city could realise substantial capital gains by selling off more of its housing.

The Very Rev Alfred Jowett, Dean of Manchester Cathedral, who was also at the meeting, said: "I do not think we managed to communicate the uniquely difficult situation of Manchester economically. I feel the points we made were not fully understood by the Minister."

Asked about his impressions of the meeting, he added: "Blessed be he who expecteth nothing. He will not be disappointed."

Today's mass lobby was drawn from all walks of life, including civic chiefs and councillors, union officials, churchmen and representatives of trade and business in the city. It was the first time any British city had staged such a demonstration.

But it was a quiet and orderly protest, with a police ban on banners and flags.

Each person had paid £7 for the opportunity to put across Manchester's case for a better deal.

Most of the protestors who arrived in London in a charter train after an early start were meeting their MPs.

But a small group led by town clerk, Mr James Hetherington and Coun Russel Talbot, chairman of the city's

● Turn to Page Four

## City crisis fight

● Cont from Page One

finance committee, was calling at 10 Downing Street to hand in submissions and ask for more Government help.

Although only two of five employers' organisations invited to attend had agreed, Coun Talbot said on arriving in London he was well pleased with the turnout.

"All the major elements in the life of the city are represented and members of the delegation and those meeting MPs will express their own views on the way in which current policies are affecting the life of the city."

Coun Talbot, standing in for Coun Norman Morris, leader of the city council, who was unwell, called the protest significant.

Other members of the delegation to Downing Street were: Mr Lew Pritchard, president of Manchester Chamber of Trade; Mr Jowett; Miss Frances Dean, secretary of Manchester Trades Council; Mr D Tattersall, financial director of Tootal, representing the city's industry; and Mr Alan Gawith, chairman of the Manchester Council for Voluntary Services.

The trip, organised by the city council, was originally aimed at over 300 community and professional organisations in the city,

but only 46, including 13 unions, accepted.

There were about 25 Labour councillors as well as a 10-strong Liberal group and representatives of the Communist party, and the Ecology party.

Manchester Tories staged a boycott, claiming it was a "Labour party jamboree." They are to meet Mr Heseltine on Friday, to put their own views on the situation.

Among the travellers were Mr Sam Fawcett, chairman of the 400-strong Manchester Pensioners Association, from Clague Street, Bradford.

He said: "The Government's economies have had a terrible effect on the elderly and the disabled. The Government may have saved the pound for the investors and industrialists, but they've created more misery than any Government within living memory."

He said that in particular sky-high heating charges had made life unbearable for old people.

Young teacher Bridget Soltau, who left teacher training college last year, moved to Hulme, but has

been unable to get a teaching post since.

Mother-of-seven Mrs Ada Sullivan, of Blencain Walk, Harpurhey, said she feared for the future of the Harpurhey neighbourhood centre.

She said cuts to be made could affect lunch facilities, a sewing club and a youth centre, all run from the building.

And 78-year-old Mr Bill Foster, from Royal Oak, Wythenshawe, travelled to London to complain about the effect of economies on the Royal Oak community centre.

A second delegation, led by Coun Gordon Conquest, chairman of the city's education committee, was meeting Education Minister Dr Rhodes Boyson, this afternoon.

Salford East MP Frank Allaun, who lives in Manchester, said the lobby was a "splendid move." It would help all cities.

The Government was deliberately raising rents and rates and then blaming councils, he said.

Meanwhile, Manchester trade unionists were among a delegation representing 30,000 private steelworkers who lobbied MPs on the eve of tomorrow's mass demonstration in London.



10 DOWNING STREET

McKe

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Noteyrde  
U.K.

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Friday 4<sup>th</sup> July

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I think the date  
ought to be put to  
p.m. with what's on  
since I do before  
for go firm.

EJ.

3-13.

CONFIDENTIAL



BF  
cc to  
office  
Regional Policy

10 DOWNING STREET

3.4.81

From the Private Secretary

30 March 1981

BF

Dear David

Merseyside

I enclose the record of today's meeting on Merseyside.

You will see that, in her summing up of the first part of the discussion, the Prime Minister referred to her planned visit to Neston on 10 April. She said that she would be prepared to consider speaking about the strengths and weaknesses of Merseyside during her visit, and that she would if necessary consider the possibility of spending some time in Merseyside that day. The programme at present planned for 10 April is confined to a visit to the GEC plant at Neston and a Conservative Party function nearby. The Ministry of Defence have been asked to provide a short speaking note related solely to the GEC operation. We will need to consider further with the Prime Minister whether either the Neston plant, or the Party function, offers a suitable platform for speaking about Merseyside, and whether it would be helpful to add on Merseyside engagements to her programme for that day. As an alternative, the Prime Minister might be able to allocate a day in July for a separate visit to Merseyside. If your Department and the other Departments represented this morning feel that the Prime Minister could usefully speak about or visit Merseyside on 10 April, it would be helpful to have further advice from you by close of play on 3 April.

As required  
BF

Copies of this letter, with the note of the meeting, go to John Wiggins (HM Treasury), Ian Ellison (Department of Industry), Anthony Meyer (Department of Transport), Richard Dykes (Department of Employment), Stuart Hampson (Department of Trade), Gerry Spence (CPRS) and David Wright (Cabinet Office). I should be grateful if Private Offices could ensure that the record is copied to other participants in their Departments. I am also sending a copy of this letter, without the record of the meeting, to David Omand (Ministry of Defence).

Yours ever

Mike Pattison

David Edmonds, Esq.,  
Department of the Environment

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SUBJECT

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NOTE OF A MEETING HELD AT 1115 am ON MONDAY 30 MARCH 1981  
AT 10, DOWNING STREET,  
TO DISCUSS MERSEYSIDE

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Present: THE PRIME MINISTER  
(In the Chair)\*

CHANCELLOR OF THE EXCHEQUER

SECRETARY OF STATE FOR INDUSTRY

SECRETARY OF STATE FOR THE ENVIRONMENT

SECRETARY OF STATE FOR TRANSPORT

MINISTER OF STATE, DEPARTMENT OF EMPLOYMENT

PARLIAMENTARY UNDER SECRETARY OF STATE, DEPARTMENT OF TRADE (Lord Trefgarne)

MR. D. YOUNG, DEPARTMENT OF INDUSTRY

MR. E. SORENSON DEPARTMENT OF THE ENVIRONMENT

MR. J.R. IBBS, CENTRAL POLICY REVIEW STAFF

SIR ROBERT ARMSTRONG

MR D.J.L. MOORE

(\* The Chancellor of the Exchequer took the Chair from 12 noon when the Prime Minister left for another meeting).

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The Meeting discussed a note of 20 March by the Central Policy Review Staff (CPRS) on possible measures to help Merseyside. They also had before them minutes to the Prime Minister of 18 March from the Secretary of State for the Environment and of 20 March from the Secretary of State for Industry.

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**CONFIDENTIAL**

In discussion of current issues the following were the main points made:-

(a) In spite of the wide range of generous financial inducements on offer from the Government, Merseyside had become unattractive to manufacturing industry because of its record of bad labour relations and of excessive union power. Both British Leyland and Vauxhall had been attracted to the area by financial assistance offered by previous Governments, but it was thought that their presence had led to pressures to increase wages locally and not to net increases in local employment. Traditionally a good deal of the strength of the area had lain with service industries and the trade sector, and the Government was more likely to get value for its money in future if assistance were to be directed to helping service industries and small firms rather than manufacturing industry. It should, however, be recognised that some manufacturing investment in the area had paid and that some firms, such as Plessey had a good labour relations record.

(b) After considerable difficulties, the statutory invitation to prepare an Enterprise Zone (EZ) at Speke had been issued and the Zone should be designated before the Summer Recess.

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**CONFIDENTIAL**

**CONFIDENTIAL**

(c) Following Parliamentary approval of the necessary Orders, the Merseyside Urban Development Corporation (MDC) had become a legal entity on 25 March. The Secretary of State for the Environment hoped to lay Vesting Orders before the Easter Recess which would cover 500 acres of land within the UDC area. The Secretary of State for Transport was dealing with difficulties over the vesting of a site in the Wallasey Dock area owned by the Mersey Docks and Harbours Company (MDHC). The MDHC saw this as the only site suitable for deep water development; they were cautious over land sales which would lose them rental income and from which the proceeds would go not to them but to their stockholders.

(d) Tate and Lyle planned to close their sugar refinery in Liverpool on 3 April. They had not yet indicated any willingness to offer more than the £1 million 'dowry' which their chairman had agreed to make available to foster new ventures. Plans were going ahead satisfactorily, however, for the implementation of this scheme, although no announcement would be made of it until the refinery had been closed and the workers had left the site. In the meantime, although it was thought that the workforce recognised that the severance pay on offer was generous, union leaders were still raising objections to it. It was unfortunate that their action was based on a show of hands rather than proper postal ballot of the workforce.

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(e) It would be preferable not to appoint a "Minister for Merseyside", since that would lead to pressure to appoint other Ministers for other problem areas. It would be better for one Minister to take the lead in a particular area and to ensure that the efforts of the various Departments concerned were coordinated. It was clear that progress was often held up by the conflicting interests of the various local authorities involved and that concerted effort was needed to push decisions through. This might be done by sustained visits by a senior Minister, although care should be taken to avoid any presumption that this implied the availability of more public money.

(f) The Department of Employment were hoping that, subject to reaching agreement with the unions, the Manpower Services Commission (MSC) could place more young people with the Social Service Departments in Merseyside as had already been done in Swansea. It was suggested that it would be preferable to have more young people going into commerce, where the MSC had proved very slow to respond to opportunities offered by companies such as Marks and Spencer. It was noted that the Minister of State, Department of Employment, would consider further with the Department of the Environment and other Ministers concerned the implications for pay of young people, of the setting up of the EZ and also the question of a special deal on

**CONFIDENTIAL**

**CONFIDENTIAL**

Merseyside on rates of pay for young people.

THE PRIME MINISTER, summing up this part of the discussion, said that experience with the Speke EZ, the MDC and with other cases on Merseyside underlined the importance of the Ministers concerned exerting strong and sustained pressure to ensure that the various local authorities, statutory corporations, and Government Departments reached agreement and made progress in good time. She would reflect further on what she might say about this, and about the strengths and weaknesses of Merseyside, when she visited Neston on 10 April. In the meantime the Secretary of State for Transport should ensure that the problems of land currently owned by the MDHC were resolved quickly. The Minister of State, Department of Employment, should speak to Tate and Lyle to encourage them to consider the possibility of a ballot if that were thought necessary to demonstrate that the workforce, as distinct from the union leaders, recognised the generosity of the severance terms on offer. It was important that good progress should be maintained on setting up new ventures on the Tate and Lyle site and every effort should be made to urge the company to increase their proposed £1 million dowry.

THE MEETING -

1. Invited the Secretary of State for Transport to seek an early resolution of the difficulties over the transfer

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**CONFIDENTIAL**

of land currently held by the Mersey Docks and Harbours Company.

2. Invited the Minister of State, Department of Employment to consult further with Tate and Lyle, as indicated by the Prime Minister, on the measures necessary to secure agreement to the severance pay offered to workers at the Liverpool sugar refinery.

3. Invited the Secretary of State for Industry to continue to encourage the rapid re-development of the Tate and Lyle refinery site in Liverpool and to seek to persuade the company to increase their offer of £1 million for a dowry for new ventures.

In further discussion of new initiatives, and of areas requiring further study, the following were the main points made:-

(a) It was agreed that the CPRS should investigate further the areas which they had listed in Sections B and C of paragraph 29 of their note of 20 March, with the exception of their proposal B.11 on the MDC boundaries and development plan which the Secretaries of State for Environment and Transport were pursuing. In this further work they should, however, take account of the considerable doubts of the meeting over the case for any development of Speke Airport. Speke had already benefited from substantial capital investment, and it was unlikely that anything more could

- 6 -  
**CONFIDENTIAL**

**CONFIDENTIAL**

be justified in view of the facilities already available at the nearby Manchester Airport.

(b) It was noted that the Department of Industry were currently looking at the possibility of increasing assistance available to service industries by switching to them within existing overall public expenditure provision and under the present statutes, some of the funds currently available for support of manufacturing industry.

(c) In his minute of 18 March, the Secretary of State for the Environment had put forward proposals to encourage private sector house builders to build 1,000 houses for sale on Merseyside next year against a guarantee by local authorities that they would cover the costs in the event of the houses not being sold at the beginning of the 1982-83 financial year. He would ensure that any resulting public expenditure was met from within his present provision.

(d) The Minister of State, Department of Industry, and the Chief Secretary, Treasury, were considering separately a contract for a drilling rig to be made by Cammell Laird which would be important in preserving employment at that shipyard.

**CONFIDENTIAL**

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THE CHANCELLOR OF THE EXCHEQUER, summing up this part of the discussion said that the Meeting agreed that it would be helpful to have an early overall view of the possibilities for further action to help Merseyside. The CPRS should, therefore, consider further those proposals listed in Sections B and C (other than B.11) of paragraph 29 of their note of 20 March. In doing so, they should take account of the strong doubts expressed at the Meeting over the case for further investment at Speke Airport. They should aim to complete their work within about five weeks, when they should circulate a report as a basis for decisions by Ministers on which were the issues worth further, in-depth examination, and by whom.

THE MEETING -

4. Invited the Central Policy Review Staff to circulate in early May a further report on Merseyside on the lines indicated by the Chancellor of the Exchequer in his summing up of their discussion.

**CONFIDENTIAL**





CONFIDENTIAL

MR WRIGHT

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CABINET OFFICE	
E	0213
30 MAR 1981	
FILING INSTRUCTIONS	
FILE No. ....	

MERSEY SIDE.

I attach a draft note of the Prime Minister's meeting this morning. I agreed with Mr Pattison that No: 10 would circulate it.

D J L MOORE  
30 March 1981

*Contat.*

*RA*

Attachment:

*30.iii.81.*

CONFIDENTIAL

**CONFIDENTIAL**

NOTE OF MEETING HELD AT 11:15am, ON MONDAY 30 MARCH 1981

AT 10, DOWNING STREET, TO DISCUSS

MERSEYSIDE.

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PRESENT: THE PRIME MINISTER  
(In the Chair)\*

CHANCELLOR OF THE EXCHEQUER

SECRETARY OF STATE FOR INDUSTRY

SECRETARY OF STATE FOR THE  
ENVIRONMENT.

SECRETARY OF STATE FOR TRANSPORT.

MINISTER OF STATE, DEPARTMENT OF  
EMPLOYMENT.

PARLIAMENTARY UNDER SECRETARY OF  
STATE, DEPARTMENT OF TRADE.  
(Lord Trefgarne)

MR D YOUNG,  
DEPARTMENT OF INDUSTRY.

MR E SORENSON  
DEPARTMENT OF THE ENVIRONMENT.

MR J R IBBS  
CENTRAL POLICY REVIEW STAFF.

SIR ROBERT ARMSTRONG

MR D J L MOORE.

(\* The Chancellor of the Exchequer took the Chair from 12 noon when the Prime Minister left for another meeting).

---

The Meeting discussed a note of 20 March by the Central Policy Review Staff (CPRS) on possible measures to help Merseyside. They also had before them minutes to the Prime Minister of 18 March from the Secretary of State for the Environment and of 20 March from the Secretary of State for Industry.

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**CONFIDENTIAL**

In discussion of current issues the following were the main points made:-

(a) In spite of the wide range of generous financial inducements on offer from the Government, Merseyside had become unattractive to manufacturing industry because of its record of bad labour relations and of excessive union power. Both British Leyland and Vauxhall had been attracted to the area by financial assistance offered by previous Governments, but <sup>it was thought that their presence</sup> ~~their plants~~ had led to pressures to increase labour wages <sup>locally</sup> ~~generally~~ and not to net increases in local employment. Traditionally a good deal of the strength of the area had lain with service industries and the trade sector, and ~~for the~~ <sup>in the</sup> future the Government was more likely to get value for its money if assistance were to be directed to helping service industries and small firms rather than manufacturing industry. It should, however, be recognised that some manufacturing investment in the area had paid and that some firms, such as ~~British~~ <sup>Plassey</sup>, had a good labour relations record.

(b) After considerable difficulties, the statutory invitation to prepare an Enterprise Zone (EZ) at Speke had been issued and the Zone should be designated before the Summer Recess.

(c) Following Parliamentary approval of the necessary Orders, the Merseyside Urban Development Corporation (MDC) had become a legal entity on 25 March. The Secretary of State for the Environment hoped to lay Vesting Orders before the Easter Recess which would cover 500 acres of land within the UDC area. The

**CONFIDENTIAL**

**CONFIDENTIAL**

Secretary of State for Transport was dealing with difficulties over the vesting of a site in the Wallasey Dock area owned by the Mersey Docks and Harbours Company (MDHC). The MDHC saw this as the only site suitable for deep water development, and they were cautious over land sales which would lose them rental income and from which the proceeds would go not to them but to their stock-holders.

(d) ~~The~~ Tate and Lyle Sugar Refinery in Liverpool ~~was~~ planned to close <sup>their</sup> on 3 April. The company had not yet indicated any willingness to offer more than the £1 million 'dowry' which their chairman had agreed to make available to foster new ventures. ~~In the meantime,~~ Plans were going ahead satisfactorily, <sup>however,</sup> for the implementation of this scheme, although no announcement would be made of it until the refinery had been closed and the workers had left the site. In the meantime, although it was thought that the workforce recognised that the severance pay on offer was generous, union leaders were still raising objections <sup>to it</sup>. It was unfortunate that their action was based on a show of hands rather than proper postal ballot of the workforce.

(e) <sup>was preferable not</sup> It would ~~probably~~ ~~be better~~ to appoint a "Minister for Merseyside", ~~It was agreed that a Minister should not be nominated to~~ represent Merseyside interests, since that would lead to pressure to appoint other Ministers <sup>for</sup> to represent other problem areas. ~~Rather~~ <sup>It</sup> ~~was~~ <sup>would be</sup> better for one Minister to take the lead in a particular area and to ensure that the efforts of the various Departments concerned were coordinated. <sup>was often</sup> In particular it was clear that progress has been held up by the <sup>conflicting interests of the</sup> various local authorities ~~and~~ interests involved and that concerted effort was needed to push decisions through. This might be

**CONFIDENTIAL**

done by sustained visits by a senior Minister, although care should be taken to avoid any presumption that this implied the availability of more public money.

(f) The Department of Employment were hoping that, subject to reaching agreement with the unions, the Manpower Services Commission (MSC) could place more young people with the Social Service Departments in Merseyside as had already been done in Swansea. It was suggested that it would be preferable to have more young people going into commerce, where the MSC had proved very slow to respond to opportunities offered by companies such as Marks and Spencer. It was noted that the Minister of State, Department of Employment, would consider further with the Department of the Environment and other Ministers concerned <sup>the implications for pay of young people of the setting up of the EZ and also</sup> the question of a special deal on Merseyside on rates of pay for young people, ~~and consider in particular the implications of this of setting up of the EZ.~~

THE PRIME MINISTER, summing up this part of the discussion, said that experience with the Speke EZ, the MDC and with other cases on Merseyside underlined the importance of the Ministers concerned exerting strong and sustained pressure to ensure that the various local authorities, statutory corporations, and Government Departments reached agreement and made progress in good time. She would reflect further on what she might say about this, and about the strengths and weaknesses of Merseyside, when she visited Neston on 10 April. In the meantime the Secretary of State for Transport should ensure that the problems

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**CONFIDENTIAL**

of land currently owned by the MDHC <sup>were</sup> ~~will~~ resolved quickly. The Minister of State, Department of Employment, should speak to Tate and Lyle to encourage them to consider the possibility of a ballot <sup>if</sup> that were thought necessary to demonstrate that the workforce, as distinct from the union leaders, recognised the generosity of the severance terms on offer. It was important that good progress should be maintained on setting up new ventures on the Tate and Lyle site and every effort should be made to urge the company to increase their proposed £1 million dowry.

THE MEETING -

1. Invited the Secretary of State for Transport to seek an early resolution of the ~~current~~ difficulties over the transfer of land currently held by the Mersey Docks and Harbours Company.
2. Invited the Minister of State, Department of Employment to consult further with Tate and Lyle, as indicated by the Prime Minister, on the measures necessary to secure agreement to the severance pay offered <sup>to workers at the Liverpool sugar refinery.</sup>
3. Invited the Secretary of State for Industry to continue to encourage the rapid re-development of the Tate and Lyle Refinery site in Liverpool and to seek to persuade the company to increase their offer of £1 million for a dowry for new ventures.

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In further discussion of <sup>new</sup> ~~the~~ initiatives, and of areas requiring further study, the following were the main points made:-

(a) It was agreed that the CPRS should investigate further the areas which they had listed in Sections B and C of paragraph 29 of their note of 20 March, with the exception of their proposal B.11 on the MDC boundaries and development plan which the Secretaries of State for Environment and Transport were pursuing. In this further work they should, however, take account of the considerable doubts of the meeting over the case for any development of Speke Airport. Speke had already benefited from substantial capital investment, and it was unlikely that anything more could be justified in view of the facilities already available at the nearby Manchester Airport.

(b) It was noted that the Department of Industry were currently looking at the possibility of increasing assistance available to service industries by switching <sup>to new</sup> within existing overall public expenditure provision and under the present statutes, some of the funds currently available for support of manufacturing industry.

(c) In his minute of 18 March, the Secretary of State for the Environment had put forward proposals to encourage private sector house builders to build 1,000 houses for sale on Merseyside next year against ~~the~~ guarantee by local authorities that they would cover the costs in the event of the houses not being sold at the beginning of the 1982-83 financial year. He would ensure that

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any costs of this were met <sup>resulting</sup> from within his present public expenditure <sup>was met from within his present</sup> provision.

(d) The Minister of State, Department of Industry, and the Chief Secretary, Treasury, were considering separately a contract for a drilling rig to be made by Cammell Laird which would be important in preserving employment at that <sup>ship</sup> yard.

THE CHANCELLOR OF THE EXCHEQUER, summing up this part of the discussion, said that the Meeting agreed that it would be helpful to have an early overall view of the possibilities for further action to help Merseyside. The CPRS should, therefore, consider further those proposals listed in Sections B and C (other than B.11) of <sup>paragraph 29 of</sup> their note of 20 March. In doing so, they should take account of the strong doubts expressed at the Meeting over the case for further investment at Speke Airport. They should aim to complete their work within about five weeks, when they should circulate a report as a basis for decisions by Ministers on which were the issues worth further, <sup>in-</sup> depth examination, and by whom.

THE MEETING -

4. Invited the Central Policy Review Staff to circulate in early May a further report on Merseyside on the lines indicated by the Chancellor of the Exchequer in his summing up of their discussion.

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CONFIDENTIAL

Ref. A04577

PRIME MINISTER

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Merseyside

The three papers for your meeting at 11.15 am on Monday, 30th March, are:-

- Flap A — (i) The paper by the Central Policy Review Staff (CPRS) sent to you under cover of Mr. Ibbs's minute of 20th March to Mr. Lankester.
- Flap B — (ii) The minute of 18th March to you from the Secretary of State for the Environment.
- Flap C — (iii) The minute of 20th March to you from the Secretary of State for Industry.
2. In paragraph 29 of their report, the CPRS summarise their 18 proposals and suggestions for further work divided between (a) proposals for early decision, (b) suggestions for further appraisal with a view to specific decisions in a few months, (c) issues requiring further study. The Secretaries of State for Industry and for the Environment deal in their minutes with some of the immediate points - in particular action following the Tate and Lyle closure and progress towards setting up the Merseyside Urban Development Corporation (UDC) and the Liverpool Enterprise Zone (EZ).
3. The CPRS bring out in paragraph 4 of their minute the important point that Merseyside is already benefiting from the full panoply of the Government's measures for assistance. It is a Special Development Area; parts are assisted under the urban programme; Liverpool is an inner city partnership area; the Merseyside Development Corporation, which comes into existence on 31st March, is Government-funded; Liverpool has an Enterprise Zone; and Merseyside has a good share of Manpower Services Commission expenditure. The CPRS calculate that the total assistance is around £180 million in 1981-82.
4. The unpalatable inferences from this are:-
- (i) Little more can be done, at least in the short term, to attract private sector industry to move into the area or to refrain from closures. Substantial financial inducements are already on offer to them and if, like Bowaters, they refuse these there is nothing the Government can do about it.

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(ii) Because of this the shorter-term possibilities are inevitably mainly presentational or directed to ensuring that existing arrangements are going ahead quickly and are being operated efficiently.

(iii) The truth is that mobile investment will probably be frightened off by Merseyside's bad industrial relations record and will prefer to pick up incentives on offer elsewhere.

5. This bleak picture reinforces the case for a longer-term study (C. of the CPRS's recommendations) of the possibilities for further measures including development of the port and the airport.

6. In looking at the options, both for short and longer-term action, you will wish to bear in mind throughout the point that any further special measures for Merseyside will provoke claims for similar treatment in other areas. As the Secretary of State for Industry points out, in paragraph 3 of his minute of 20th March, Liverpool's unemployment rate in February of 16.2 per cent compares with 14.2 per cent in Glasgow, 16.4 per cent in Teesside and 12.4 per cent in Birmingham (which is not eligible for any regional measures). I think that this is the main argument against appointing or nominating a Minister to have special responsibility for Merseyside.

7. Although there is very limited scope to do more in the short term to attract and retain private sector industry, there might be some scope for using public sector investment to help, provided that that could be done consistently with public expenditure objectives and without leading to irresistible claims for like treatment elsewhere. The Secretary of State for the Environment is, for example, asking the North West Water Authority to bring forward some capital expenditure in 1981-82 and is encouraging a programme of private sector house building in the area (points (iii) and (iv) on the first page of his minute of 18th March).

8. Unless the Chief Secretary and Mr. Tebbit have now reached agreement, mention may be made at the meeting of a proposal by KCA International Limited to place a £56 million contract for a semi-submersible drilling rig with Cammell Laird. In his letter of 25th March Mr. Pattison asked the Department of

Page D

CONFIDENTIAL

CONFIDENTIAL

Flap E — Industry for advice on the letter of 24th March to you from the Chairman of KCA. I understand that to secure this order British Shipbuilders might have to offer a guarantee of up to £12 million against possible losses by the company when the rig is in operation. If the Treasury and the Department of Industry cannot reach agreement on this it will have to be taken urgently by E(EA). It is, however, relevant to the present discussion, because without the order, and in view of the poor prospects for other civil and naval orders, the 3,500 jobs at Cammell Laird could be at risk as the present naval work runs out over the next year or so.

#### HANDLING

9. I suggest that you should open the meeting by proposing that the list of recommendations in paragraph 29 of the CPRS report should be used as an annotated agenda, with Ministers commenting on the proposals of direct interest to them and coming in at the end with any other particular proposals of their own. Before turning to the list you might, however, like to ask the Secretaries of State for Industry, the Environment and Employment and Mr. Ibbs whether they have any general comments to make.

10. In particular you will wish to reach a view on whether sufficient is being done already or whether the CPRS should be invited to pursue their proposal for a fuller study of Merseyside's problems which, as Mr. Ibbs pointed out in his minute of 20th March, could produce lessons of wider application in relation to unemployment, regional and urban problems. You could decide when this report was available in which forum it should be considered; it might be a candidate for E Committee.

#### CONCLUSIONS

11. In the light of the discussion you will wish to record conclusions on the detailed points listed in paragraph 29 of the CPRS's memorandum and on the proposal that some of these should be pursued in the context of a longer-term study by the CPRS, and on any other detailed points raised at the meeting.

REA

ROBERT ARMSTRONG

27th March, 1981

CONFIDENTIAL

Prime Minister

cc Mr. Wolfson  
Mr. Hoskyns  
Mr. Duguid

MR. LANKESTER ✓

2ah  
UNEMPLOYMENT IN MERSEYSIDE

The Prime Minister is discussing measures to alleviate the high unemployment on Merseyside with colleagues on Monday. She might be interested to read Patrick Minford's evidence to the Du Cann Committee (attached). I agree with his analysis that there is insufficient wage flexibility and that real wages in Merseyside at present are inconsistent with tolerable levels of unemployment. In particular the structure has been exacerbated by Labour trade union legislation.

The prescriptions which follow from this analysis are:-

- a. a reduction in trade union monopoly power;
- b. replacing national wage bargaining with bargaining at local level - so that local market conditions can be taken into account and a better equilibrium reached;
- c. a lower level of real social security benefits.

I realise, of course, that there are very real political and practical constraints on all three of these measures. But they are fundamental to a lasting solution of the problem of persistent high unemployment in certain localities. The Policy Unit have been arguing in MISC 14 and elsewhere for measures to break down the national wage bargaining pattern. There is a limit to what the Government can do to affect the structure of bargaining in the private sector. But in the public sector, we could at least show an example by conducting Civil Service pay negotiations at a regional level. These arguments are being considered, but they tend to be trampled underfoot by the very real practical problems they would pose for Civil Service management.

When this issue of regional pay comes forward to Ministers, we must try to ensure that the wider implications for unemployment black spots are not lost sight of.

27 March 1981

pp ALAN WALTERS

30 June 1980]

Professor A P L MINFORD

[Continued

Mr Baker

100. As your university is based on the Merseyside and as the Merseyside is a very depressed part of Britain and has been for a long time, do you and your colleagues in the Economics Faculty at the university have any views as to what could be done to help the Merseyside?

I do not think that is a very short question. The situation on Merseyside, which, as you know, is an area of very high unemployment, is like the situation on Tyneside and Clydeside and some other areas. The problem in my view—I will not speak for my colleagues—that Merseyside faces is that for various reasons there is an inadequate degree of wage flexibility. There is also an inadequate degree of provision for mobility around the area and indeed out of parts of it into other contiguous parts. So the problem of unemployment generally is identical with the problem of unemployment on Merseyside. The problem of unemployment is that we have excessively high real wages. If people on Merseyside are paid more than their productive real wage they will not be employed. The same is true of any other area and any other group of people.

101. But given the nature of wage bargaining in this country, how do you see the circle being broken?

If I could just continue on that point. In an appendix, number 8, I have an analysis of the unemployment problem allied to the analysis of the real exchange rate issue. There I suggest that contrary to the conven-

tional view that we are being kind to the unemployed by paying high social security benefits, we are on the contrary succeeding in raising the real wage—that is the minimum people will accept to work; that the consequence of raising that minimum real wage is unemployment. So while we may be being kind in a short term sense to those who are actually unemployed, we are actually encouraging the very unemployment that we are trying to avoid. So I would say that contrary to that conventional wisdom what we should be doing is trying to ensure that people do have to take work that is available and to be less generous if possible at the margin with real social security benefits in order to encourage a drop in real wages and the necessary adjustment in real wages. That sounds like hard advice but the unemployment problem is not going to be solved by misplaced emotionalism. It will only be solved by people accepting lower real wages and accepting that they have to compete in an extremely and much more competitive world than they have had to compete with in the past. Secondarily, there will have to be attempts made by this Government and probably subsequent Governments to reduce the degree of union monopoly power, in order to prevent unions exacerbating the unemployment problem by marking up their wages over competitive real wages—raising real wages—and so putting more people on to the dole. So the two things are linked and the real problem that we face—which is the unemployment problem—is inexorably linked with the reduction of union monopoly power.

102. From your knowledge of Merseyside do you think that the policy which you advocate—lower unemployment benefits and in fact significantly lower wage increases in the rest of the country—is socially acceptable on Merseyside?

It would be more acceptable than the unemployment rate that is at present on the Mersey. There are an awful lot of people on Merseyside who are in a situation where the best thing they can do is take unemployment benefit and participate as best they can in fringe activities—the so-called shadow economy. I am very grateful for the presence of the shadow economy because it helps to mitigate the problem, to mitigate the waste of resources. But it is by no means a desirable situation.



10 DOWNING STREET

*From the Private Secretary*

25 March 1981

I am writing on behalf of the Prime Minister to thank you for your letter of 24 March.

This is receiving attention and a reply will be sent to you as soon as possible.

M. A. PATTISON

Paul Bristol, Esq.

D/I Lowe  
copied to  
Chief Sec's  
office too.  
26/3



10 DOWNING STREET

059  
R BRISTOL  
KCA Intl Ltd

From the Private Secretary

25 March 1981

I enclose a copy of a letter to the Prime Minister from KCA International Limited about their plans for building semi-submersible drilling rigs.

If you consider that it would be helpful for the Prime Minister to reply personally, I should be grateful for a suitable draft by 7 April. If you would prefer to handle this differently, please have a word with me.

I am sending copies of this letter and its enclosure to Geoffrey Dart (Department of Energy) and John Hughes (Mrs. Chalker's Office, DHSS).

M. A. PATTISON

Mrs. Catherine Bell,  
Department of Industry.

BF  
(Incl letter  
dt 6<sup>th</sup> April.)

JKH

*Pr seen*

**KCA International Limited,**  
9th Floor, Berkeley Square House, Berkeley Square, London W1X 6BY.  
Tel. 01-491 3958 Cable: KAYGRUP London. Telex. 28924.



March 24, 1981

*R 24/3*

The Rt. Hon. Mrs. Margaret Thatcher, M.P.  
10 Downing Street  
London SW1

Dear Prime Minister

My Company, KCA International Limited has been investigating the possibility of building semi-submersible drilling rigs in a British Shipyard. I have been discussing this project directly with Sir Keith Joseph, Mr. David Howell and Mr. Robert Atkinson for almost one year. I also gather that Mrs Lynda Chalker has already mentioned the project to you.

Because of this I thought it might be helpful if I were to give you a few more facts.

The Department of Industry has full details of the scheme I have proposed. In essence, KCA wishes to build at Cammell Laird a semi-submersible drilling rig which KCA would own but as is normal would be chartered to a major or substantial oil company with KCA Drilling providing the crews and expertise.

British Shipbuilders have not built this kind of rig since before they were nationalised, the last one being built in 1964. It is because of the lack of ongoing practical experience means that today they are unable to compete with overseas yards particularly those in the Far East on delivery and cost. This fact makes it impossible for KCA to put together a bankable financing package. This package must if it is to compete with the major American Drilling Companies be on a total pay out basis during the five years of contract to the oil company.

The full capital cost of a British build would at the present time take up to ten years to pay out. I therefore suggested to the Department of Industry that a government or similar guarantee should be provided to cover the small downside risk of a shortfall in the later years.

I believe that our proposal is being currently considered by the Departments of Industry and of Energy.

Continued./

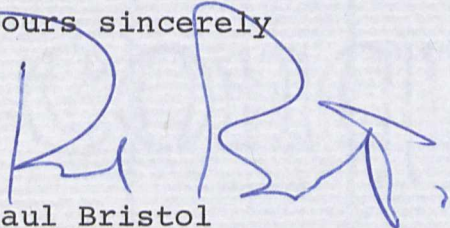


KCA International Limited is the only British publically quoted company in drilling and in oil services competing internationally against American competition. As you well know the North Sea is currently dominated by U.S. and other Foreign Operators. We in KCA see our proposal as a means of building a British Drilling Company with worldwide operations comparable to the American competition.

At the same time this scheme will provide a basis for British Shipbuilders and Cammell Laird to establish the offshore strategy which Robert Atkinson has so often mentioned and break into this large offshore market. Also for Cammell Laird the building of two semi-submersible drilling rigs will provide much needed work on Merseyside and help curtail the growing unemployment in that area.

I very much hope that our building plans can become a reality and would ask you for any help possible.

Yours sincerely



Paul Bristol  
Chairman & Chief Executive



10 DOWNING STREET

*Regina in Obsequy*

From the Private Secretary

24 March 1981

As you know, the Prime Minister will be taking a meeting on Monday 30 March at 1115 to take stock of the various initiatives that are in hand to assist Merseyside. Your Secretary of State and representatives of the other Departments to whom this letter is being copied have been invited. The relevant papers for the meeting are: Mr. Heseltine's minute of 18 March, Sir Keith Joseph's minute of 20 March and a paper submitted to the Prime Minister last weekend by the CPRS (they will be circulating copies in the next day or two).

I am sending copies of this letter to Ian Ellison (Department of Industry), Anthony Mayer (Department of Transport), Stuart Hampson (Department of Trade), Richard Dykes (Department of Employment), John Wiggins (H.M. Treasury), David Wright (Cabinet Office) and Gerry Spence (CPRS). I am sending a copy of Sir Keith Joseph's minute of 20 March to Stuart Hampson and Anthony Mayer; Stuart also gets a copy of Mr. Heseltine's minute of 18 March.

J. P. LANKESTER

David Edmonds, Esq.,  
Department of the Environment.

*HS*  
*bc DW*  
*AD*  
*cc Welsh*  
*Office*

*JPO*

SP



Department of Employment  
Caxton House Tothill Street London SW1H 9NA  
Telephone Direct Line 01-213.....6620...GTN...213  
Switchboard 01-213 3000

*Parliamentary Under Secretary  
of State*

Lynda Chalker MP  
Parliamentary Under Secretary  
of State  
DHSS  
Alexander Fleming House  
Elephant & Castle  
LONDON SE1

*Nick -  
to see  
see*

*24* March 1981

*DT*

MERSEYSIDE

... I attach a note of our recent meeting. We agreed to meet again in early April and my office is in touch with yours and other members of the group to arrange a convenient time.

I am copying this letter to those at the meeting and to Kenneth Clarke, Sir George Young, Timothy Raison, Sir Robert Armstrong and Tim Lankester.

PETER MORRISON

CONFIDENTIAL

THIRD MINISTERIAL MEETING ON MERSEYSIDE HELD IN THE SMALL MINISTERIAL  
COMMON ROOM AT THE HOUSE ON 11 MARCH 1981

Present: Peter Morrison MP  
Lynda Chalker MP  
Neil McFarlane MP  
John McGregor MP  
Giles Shaw MP  
Eileen Mackay (CPRS)  
Kevin White (DE)

1. Mr Morrison welcomed Eileen Mackay from the CPRS to the meeting. He explained that the Prime Minister was, particularly in view of the imminent closure of Tate and Lyle, taking a great interest in the problems of Merseyside and what could be done to ease them. At the moment the Department of Industry were in discussion with Tate and Lyle to consider how best Tate and Lyle's £1m "dowry" might be spent. The Department of the Environment were pressing ahead to get the UDC and the Enterprise Zone operating as soon as possible. In addition the Prime Minister and asked the CPRS to consider what further initiatives might be taken to bring hope to the area and had accordingly suggested that a representative of the CPRS should attend the meeting.

2. There was considerable discussion about the UDC which it was agreed was central to Government policy in the area. A particular problem over the vesting of some of the dockland was discussed. The UDC had wished to vest some areas of dock land on both sides of the Mersey which the Mersey Docks Harbour Company did not agree to release to them. These portions of dock land were in the centre of the area and were prime sites for development. There were however many dock land sites which the company would willingly release to the UDC. It was explained that if the UDC insisted on seeking to vest disputed portions of land an extensive procedure, involving a select committee of the House of Lords, would be required. This would inevitably cause long delays and it was agreed that it would be sensible for the UDC to seek instead to vest sites which the company had no objection to releasing. This would not mean giving up the long term objective of vesting the more desirable central sites but it would mean that the UDC could go ahead as soon as it obtained legal status (which was expected to be at the end of March).

3. It was regarded as vitally important that the Government should, through the UDC and other agencies; be seen to be doing something positive in Merseyside as soon as possible. Tate and Lyle was due to close on 3 April and it would be highly desirable for the Government to be able by then to point to new development through the UDC. It was suggested that the UDC should immediately take licences on parts of the dock land in order to turn the existing buildings into workshops along the lines of the successful example on the Clyde. The conversion of these workshops and the clearance of the land around them might be a profitable way of spending some of Tate and Lyle's dowry.

4. The conversion of the dock land generally into industrial premises would take a long time to complete although the work involved would, in itself, provide employment. It was suggested that it would help the UDC to get moving if it was able to run YOP and CEP schemes as soon as possible. Mr Morrison said he would stress to the Manpower Services Commission the importance of giving clearance to any such schemes as soon as the UDC came into being.

5. The Chairman designate of the UDC, Leslie Young, was now beginning to recruit staff; it would inevitably take some time for the UDC to get going and it was important that central Government should give all the encouragement possible. Leslie Young had offered to come to London to meet Ministers. Mr Shaw said that he thought it would be a better idea if he went to Merseyside to meet him to stress the importance attaching to the development of the UDC.

6. Merseyside suffered from significant structural problems. There was a long-standing dearth of local leadership and talent. High levels of unemployment, particularly amongst the young, created severe social problems. Many of the traditional industries were in decline and were not being replaced. Employers were suspicious of the local workforce and were wary of setting up in the area.

7. It was argued that there was no shortage of finance going into Merseyside but that little of lasting benefit seemed to come from it.

It would be helpful to take an objective look at the assistance provided for the area to see how cost effective it was and how it could be improved. It was agreed that two things were essential. First, a long term strategy for Merseyside was required. It was important to give the area and those working there a sense of direction. In the long run it would be counter productive to vote substantial resources to the area if their effect was to stifle local initiative.

8 In the meantime it was necessary for the Government to take immediate action to get things moving. Local interests had generally failed and it was necessary for the Government to force the pace, as it was seeking to do through the urgent development of the UDC and the effective use of Tate and Lyle's dowry.

9 Eileen MacKay said that the CPRS proposed to embark on an objective study of what the future of Merseyside should or could be. Support was given to this study, which should be undertaken as a matter of urgency. Eileen MacKay said that the Ministers in the Group would receive copies of the CPRS proposals as soon as they were available. It was agreed that the Ministers would seek to do everything they could to minimise conflicts between the work of their departments on the ground.

10. It was agreed that it would be useful to meet again in the first week of April to take stock of developments.

Private Office

W  
K C G WHITE

24 March 1981



PRIME MINISTER

Top. copy.  
Overseas Aid, Pt 2,  
Closure of Tate + Lyle.

## LIVERPOOL (TATE AND LYLE CLOSURE)

- 1 When we met on 4<sup>✓</sup> March we agreed that a special effort was needed in Liverpool to ease unemployment and to demonstrate the Government's concern about the special problems of the area.
  
- 2 I have been taking action in two ways to help the position following the closure of Tate and Lyle's sugar refinery. I am exploring with Tate and Lyle ways in which they can use their suggested "dowry" to foster new ventures and I have put the company in touch with Paddy Naylor and Job Creation Ltd. I am also discussing - with David Young's help - how to ensure the rapid redevelopment of the sugar refinery site. Some of the buildings may be suitable for conversion as nursery or starter units but there are problems with demolishing some specialist buildings. The English Industrial Estates Corporation may be able to help but my intention is that Tate and Lyle should gain credit for its initiative (and that it should meet as much as possible of the cost). Michael Heseltine is seeking to ensure that problems with the Urban Development Corporation and the Enterprise Zone are removed as quickly as possible and at his meeting on 5 March he asked for several other possible measures to be examined.
  
- 3 We have accepted that Liverpool presents special difficulties in terms of its divided community and its previous dependence on service industry. These make its problems - and perhaps those



of Clydeside - unique. But we need to recognise that, if we do too much or too publicly, we could cause resentment elsewhere since other areas regard themselves as being at least as deserving. For example, Liverpool's unemployment rate in February was 16.2% representing 77,000 people out of work (Glasgow's figures were 14.2% and 84,000). Teeside, however, had figures of 16.4% and 37,000 and even Birmingham (not eligible for any regional measures) had figures of 12.4% and over 86,000. People in these areas can claim that they have a better record on industrial relations and that Merseysiders are in some part to blame for much of their predicament.

4 In the circumstances we must I think be careful to avoid giving our activities any wider national publicity. We must also weigh carefully whether we would be wise to give the impression that it is possible to do much more; it would be very difficult - if not impossible - to give other areas this kind of concentrated attention in terms of staff resources or money. I suggest that, when Michael Heseltine has considered the scope for action available to him, we should meet again to review just how far we can go to help Liverpool without creating problems elsewhere.

5 I am copying this minute to Jim Prior, Peter Walker, Michael Heseltine, Leon Brittan and to Sir Robert Armstrong.

Department of Industry  
Ashdown House  
123 Victoria Street

K J  
20 March 1981



PRIME MINISTER

c.c. Mr. Duguid

Merseyside

CPRS have produced a good note (Flag A) setting out their preliminary ideas on what more could be done for Merseyside. They would like to do some further work so as to firm up these ideas.

There is also at Flag B a note from Keith Joseph reporting on the Tate and Lyle "dowry" initiative. This seems to be going reasonably well. You have seen Michael Heseltine's latest note on the state of play of his initiatives - i.e., enterprise zone, UDC etc.

I think it would be a good idea for you to now take the chair at a stock-taking meeting with the Ministers principally concerned. Besides Keith Joseph and Michael Heseltine, we will need to bring in Norman Fowler and John Biffen because of the CPRS' proposals relating to the port, the motorway network and airport. We also need Jim Prior, and a Treasury Minister. Shall I arrange this for as soon as possible after your return from Holland? And if you agree, I will circulate the CPRS report.

One of the CPRS proposals is that you should pay a visit to Merseyside, and announce it before your visit to Cheshire. They have also suggested that you should use Speke Airport, when you go to Cheshire: we have taken the view that this would probably be unwise since it would look as if you were skirting the "Merseyside problem".

J. P. LANKESTER

20 March, 1981.

Chancellor of  
Chief Secretary.

R.

CONFIDENTIAL

Prime Minister

MERSEYSIDE



Prime Minister

2.  
My intention is keeping up the  
pressure over Merseyside projects.  
Complementary reports will come  
from Sir Keith Joseph and Admin  
166s. 18 March 1981

MAF 18/3

→ cc Daghid  
seen by PM

You saw a copy of the note of the meeting I held on 5 March following our talk about the Merseyside situation. I set in hand a range of action to speed up, as far as possible, work on existing initiatives and to consider new ones. The attached note describes progress over the last 10 days.

You will see that we have been developing a number of initiatives. I have considered whether we should co-ordinate the proposals, holding their announcement back until we can present them publicly as one package. But my judgement is that this would mean moving at the speed of the slowest. The crucial thing is to get positive action on the ground quickly to help Merseyside's desperate problem.

We have made a start.

Your Private Secretary's letter of 5 March mentioned in particular your wish to make announcements about the final establishment of the Enterprise Zone and Urban Development Corporation by 3 April. The current position is that:-

- (i) the statutory invitation to prepare an Enterprise Zone was issued and announced last Friday, 13 March. We are now on course for designation of the Zone before the Summer Recess.
- (ii) the Merseyside UDC Area and Constitution Order Debates will take place in the Commons tomorrow and in the Lords on 24 March. The UDC should then become a legal entity on 25 March.

Invitations to serve on the Board were issued last Monday to all the proposed members.

Some progress has been made in the discussions which have been taking place on the main land vesting issues. These discussions are continuing and I will be seeing Leslie Young, the Chairman-designate of the UDC, next week. My hope would be to lay land vesting orders before the Easter Recess which cover the bulk of the UDC area ie some 500 acres of land. Further land vesting orders can, if necessary, be made later on.

In addition:-

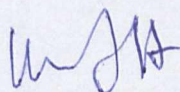
- (iii) I am asking the North West Water Authority to bring forward, to 1981/82, £5.5 million worth of capital expenditure currently due for later years. We estimate that this could provide between 250 and 400 additional private sector jobs.
- (iv) I am exploring urgently a proposal to encourage private sector house builders to build 1,000 houses for sale on Merseyside next year against a guarantee by local authorities that they will cover the costs in the event of the houses not being sold at the beginning of the 1982/83 financial year.
- (v) Finally, I am looking at other ways in which we might help stimulate industrial development and employment generation on Merseyside through the use of the Urban Programme; the early release of major inner city sites for industrial development; the possible relaxation of local authorities' planning

regimes; and the stimulation of institutional investment by, for example, major building societies in our assured tenancy scheme.

I believe we have made good progress over the last week or so. I will keep you in touch with further developments.

Keith Joseph will be reporting to you separately on those matters which fall within his responsibility.

I am copying this to Keith Joseph, Peter Walker, Norman Fowler, Leon Brittan, Robin Ibbs and Sir Robert Armstrong.



MH

MERSEYSIDE: Note by the Central Policy Review StaffBackground and Current Economic Situation

(See Appendix 1 for supporting statistics and Appendix 2 for a brief historical outline. There is a map at the end of this note.)

1. Merseyside has one of the largest concentrations of high unemployment in the country, although Northern Ireland is worse and there are other areas in Britain which have similarly high unemployment rates viz the North East and West Central Scotland. The unemployment rate in Merseyside has been significantly higher than (until recently, about twice) the national average for over 30 years. Although Merseyside's unemployment picture is grim, the present recession has led to a narrowing of the gap between the Merseyside rate and that of the rest of the North West in absolute terms. In February there were about 110,000 people unemployed in Merseyside, an unemployment rate of nearly 16 per cent (19 per cent for males): this is now about one and a half times the national average.

2. There are, however, fears that the picture may be about to worsen. The Tate and Lyle closure is only one of several big redundancies on the horizon; for example 1,500 jobs at Courtaulds and 3,000 jobs at Vauxhall will have gone by this summer. New job prospects are scarce especially in Liverpool itself. The Tate and Lyle closure is particularly traumatic for Merseyside - and Liverpool in particular - because it is one of the area's oldest established firms, associated with the port, the city's life blood, and one of the few major industrial employers remaining in the centre of Liverpool.

What Government are already doing

3. The Government's regional and urban policies give very high priority to Merseyside and have done so for some time. Some part or parts of the area have had special status in one form or another since 1936. These measures seem to have had little effect on the long term trends of the area.

4. As a Special Development Area it qualifies for the highest regional incentives for manufacturing and service industries in mainland Britain, and a large share of DI's factory programme. Parts of the area are assisted under the urban programme, and Liverpool is an inner city partnership area. The Government funded Merseyside Development Corporation (MDC) is one of only two of its kind in Britain. It is being established to redevelop the redundant docklands and covers an area of under 900 acres out of Liverpool's total of 28 thousand acres (and Merseyside's 160 thousand acres). It formally comes

into existence on 31 March. An Enterprise Zone (EZ) of about 300 acres (one of only 11 so far approved) is to be established near Liverpool Airport. (The invitation to Liverpool City Council to establish the EZ was issued on 13 March). In addition, because of its high unemployment Merseyside receives a large share of MSC expenditure on special unemployment measures, though adult training programmes have been cut back. Altogether the Government is likely to put something like £180 million into Merseyside in 1981-82 through these regional, urban and manpower programmes (see Appendix 3 for further details).

5. There is - generally speaking - no policy of positive discrimination in favour of Merseyside in other fields of public spending and infrastructure investment. There are no special regional incentives to help Merseyside's port or airport: indeed Liverpool airport is classified as a minor one and therefore receives low priority for investment. The Government has however recently provided substantial assistance for the ailing Mersey Docks and Harbour Company.

#### Constraints on doing more

6. The scope for further action to help Merseyside, especially in the near future, is inevitably constrained by the need to hold down public spending in the interests of macro-economic policy. Another constraint, at the present low level of economic activity, is the shortage of mobile investment. Merseyside itself has a number of problems which Government money cannot solve, notably its reputation (partly justified) for dreadful industrial relations, its relatively high wage levels and - some people allege - a loss of morale and enterprise within the community. Finally it would be difficult to justify devoting extra resources to help Merseyside without also doing so for other areas with similar claims.

#### What more could be done?

7. We have considered -

- a. What action might be taken in the immediate future to demonstrate concern for Merseyside and alleviate its problems in the face of the Tate and Lyle closure.

- b. What further measures might be taken to deal with Merseyside's problems in the longer term.

A summary of our proposals and suggestions for further examination is given at the end of the note (paragraph 29).

a. Immediate measures

8. The first requirement should be to use to best effect both Tate and Lyle's promised dowry of at least £1 million, and the public resources already allocated for Merseyside's development. This is the primary purpose of both the DOE and DI exercises; we have a number of specific suggestions about these initiatives which are described in Appendix 4 and ~~listed~~ in the summary of proposals. So far as the Merseyside Development Corporation (MDC) and the Enterprise Zone (EZ) are concerned we support the Environment Secretary's aim of making rapid and visible progress. It is important, however, not to oversell either the MDC or the EZ, in view of their limited geographical remit (see paragraph 4); the emphasis on speed should not be so great that desirable options for longer term development are closed off (see paragraph 18).

9. In the case of the Tate and Lyle scheme it will be important to ensure that the company firmly commit themselves, before the closure, to take real action to help the area. There is some doubt about this at present, which may however be resolved at their meeting with DI on 24 March. If this proves not to be the case the Prime Minister may wish to consider a further personal intervention.

10. It would boost Merseyside's morale if the Prime Minister were to pay a visit to the area. We see advantage in a date being fixed for such a visit before 10 April when Mrs Thatcher visits Neston, which is outside Merseyside and not near any part of the more depressed areas. It might also be useful if Mrs Thatcher could fly into Speke airport and travel to Neston by helicopter. This would provide an opportunity for her to get a picture of the area's problems. The fact that the Prime Minister chose to use Speke as a gateway to the North West could, we think, give a psychological boost to the area (see paragraphs 16-18).

11. Another possibility would be to identify a Minister as having special responsibility for Merseyside. The dangers of such an appointment (particularly if it went to a Minister of Cabinet rank) are, of course, that it might arouse expectations which could be difficult to fulfil, and lead to claims for similar

treatment from other hard hit parts of England, notably Tyneside. It may be worth considering the possibility of nominating a Minister of non-Cabinet rank to keep in touch with what is happening in the area and act as a link/lobbyist for the area within Government, rather as Scottish and Welsh Ministers do for their countries. It may be worth considering, alternatively, the possibility of a single Minister with similar responsibilities for all the English depressed areas - for example the SDAs.

b. Further measures

12. We offer below a range of possible further measures which might provide more lasting help - or hope - for the area. They are not comprehensive - in particular we have concentrated on the Liverpool side of the estuary although there are significant and similar problems in Wallasey and Birkenhead. Our suggestions are not ranked in any order of priority nor are they firm recommendations. This is because we have not yet formed a sufficiently clear view of the long term needs and prospects of the area, and have not had time to assess the feasibility of particular suggestions. They should be regarded as a possible agenda for further examination. One further caveat: measures which are not cosmetic tend to cost public money and/or raise the questions of comparable treatment for other hard hit areas. These aspects would need to be explored.

Develop the port and airport

13. Although it has declined, the port is likely still to play a significant role. It is the only port of its size on the West Coast of England, it is near major population centres and is within reach of an extensive motorway network. Seaforth has been developed as a deep sea container dock. These are considerable advantages.

14. The port's development is hindered by inherited liabilities, notably surplus labour which significantly increases its unit costs compared with newer ports on the South Coast. The current enhanced severance programme is designed to reduce the labour force by 1,000 over two months, and, after two weeks, the take up is on target. The final outcome will not be known until May. If substantial progress is made the future could be healthy. The port authority also has an inheritance of statutory liabilities for roads, bridges and sewers even in those areas no longer operating as docks. Transferring at least some of the statutory liabilities to the local or water authority, with a dowry where necessary, would be an extra fillip which might make more impact than its public expenditure cost would imply.

15. We think that there may be scope for a more imaginative look at the potential future of the port including a re-examination of the case for a "free port" and/or a complete link with the motorway system. If Merseyside is to receive priority attention there may well be options not previously explored, as the tendency has been to look on the bleak side for the future. Because of the central role the port has played in the area's history, and the focus it still forms, we think it would give a particular boost to the area if it were possible to map out a relatively prosperous future for the port.

16. Another main focus of attention might be the airport. At present it plays no part in the Government's thinking for the area. Indeed it is denied investment so as to concentrate traffic on Manchester.

17. This may be an important missed opportunity. Liverpool, as a major seaport, has a tradition of handling both passengers and cargo. Indeed with its international reputation for humour, music and sport, together with its convenient location for the Lake and Peak Districts and for North Wales, it is attractive to think of developing the area as a gateway to Britain for tourists and for the conference trade, helping to take some of the load off the South East. The airport has a fine estuarine location although the feasibility of expansion would need examination. The development of these ideas would need to be accompanied by an effort to improve the physical environment, with the river and the river front as prime targets. These ideas may appear to run against the tide of decisions already taken e.g. to build a third London airport, to build up Manchester airport, and to have an Enterprise Zone beside Liverpool airport (which rules out the possibility of planned development of airport-related activities there). Nevertheless, we feel that if Merseyside is ever to become a prosperous area again, it will be through imaginative approaches of this kind. The idea deserves further examination. If public expenditure constraints allow, it would be a valuable step in a positive direction to permit the County Council to build a new terminal building near the new runway. Use of the airport as part of a Prime Ministerial visit (see paragraph 10 above) would also help.

18. If it is agreed that our ideas for developing the port and airport are worth exploring further, it will be important not to close off options for the development of port and airport, while the ideas are being examined. This should be borne in mind when final decisions are being taken about MDC's



boundaries, particularly on the Wirral side of the estuary, when the Enterprise Zone is being marketed and when decisions are taken about the future of the Mersey Docks and Harbour Company.

#### The future of Kirkby

19. One of Merseyside's notorious problems is the town of Kirkby, a post war municipal housing development, which is now extremely run down and vandalised with a high proportion of vacant properties. Unemployment is very high. We gather that the adjacent industrial estate has not been very successful. As Merseyside's population continues to fall Kirkby may at some point become a candidate for planned decline - at considerable public expense - unless the town can somehow be regenerated. The history, location and current conditions in Kirkby suggest that it might be an area requiring some form of special initiative. In the time available we have not made an assessment about what form this might take, but it may be worth seeing whether some concepts of enterprise zones can be adapted to a built up area like Kirkby.

#### The future of Merseyside

20. It is far from clear what sort of future Merseyside as a whole can realistically look forward to. The strategy adopted by Merseyside County Council in its structure plan (approved by the Secretary of State for Environment in November 1980) is to seek to concentrate investment and development in the urban parts of the County, encouraging economic expansion on disused and derelict sites. It aims to restrict to a minimum, development on the edge of the built up areas. With such a strategy Merseyside is competing with Manchester, with the still growing new towns of the North West, and with other more attractive locations. In the past Merseyside has lost such competitions. Further, this strategy, and the more specific initiatives (of both central and local government) are based on the assumption that the provision of sites and the current level of financial incentives will be sufficient to attract the industry that would regenerate the area.

21. History does not support such optimism. There has been a marked lack of success, over several decades, in attracting industry to the area, or even in managing to hold on to existing industry. Much of the inner area is becoming increasingly depressed and depressing. It is a pattern not unique to Merseyside, although the trend is perhaps more advanced there. It is far from clear that even an upturn in the economy would prove sufficient to prevent further decline.

22. But what alternatives are there? Three options were identified in the structure plan: growth as outlined above; neglect; and dispersal to the edges of the built up areas. To these must be added a fourth: planned decline equivalent to dispersal further afield. It is inevitable that none except growth would appeal to the local authority. As the plan is essentially a land use one rather than an economic one, the likelihood of its success in economic terms is not addressed. We have identified two potential growth points - the port and the airport - which we think might be given further attention, and it would be premature to judge the likely success of the Urban Development Corporation. But these, and other specific initiatives, are likely all to be rather small scale compared with the magnitude of the economic problems of the area as a whole. It is therefore still not clear that much of the area can be rescued from further decline with the present approaches.

23. We think that this point deserves more attention. There may be a case, for example, for a degree of planned decline with incentives to attract jobs to the more successful parts of the region and help for people to leave the area e.g. through training. Within Merseyside, there may be a case for a greater shift of emphasis from attempts to develop industry, to plans for office development and tourism, leisure, recreation and higher quality private housing. In essence we think there is a need for an economic strategy for Merseyside, set in the context of the North West region as a whole. Without such a strategy it is impossible to judge whether the money which the state is injecting into Merseyside is being used to best effect; for example, whether assembly of land for industrial sites should have such a high priority. An economic strategy should pay close attention to the history of the area and to the likely effectiveness of the instruments available to influence the direction of 'natural' economic forces. We suspect that hitherto such strategies have been based on an over optimistic set of assumptions.

24. The difficulty, of course, is that a more objective and realistic assessment may produce an answer that is unacceptable to those directly concerned with the area, and especially to the elected representatives. Nevertheless we consider that such an exercise would be valuable for three reasons:

1. The answer might be acceptable.
2. If the answer were not acceptable, the analysis would point to the magnitude of the changes that would need to be made to existing policy instruments in order to achieve a turn round in the area's fortunes.

3. It would provide an opportunity to examine two important wider issues in the context of a concrete problem:
  - a. How effective is current regional policy, and, in the light of prospective structural and technological change, how soundly based are the instruments of regional policy? (For example should there be a greater emphasis on service jobs; should consistency be sought in all Government policies which have regional implications, within a region should incentives be concentrated on areas with the greatest potential or those with the greatest problems - e.g. Manchester or Merseyside?)
  - b. In view of the 'natural' economic forces at work do we have a sound strategy for the derelict and depressed areas of our cities and, if not, can such a strategy be developed; to what extent can the inner city programme be more than cosmetic in the longer run?

#### Further work

25. In the short time available, we have been able to do little more than identify a few avenues that seem to merit further exploration. We should like to look into these more fully over the next 4-6 weeks, to see whether our initial thoughts about the port or the airport in Liverpool stand up to closer scrutiny, and to consider possible initiatives for Kirkby. We should also like to give more thought to what an economic strategy for the area might cover and how it might be produced, before firmly recommending the major study which would be involved.

#### Manpower and regional policy options

26. Irrespective of whether such a strategy is prepared there are a number of ways in which we think manpower and regional policies might be adjusted, to Merseyside's benefit. Decisions on these matters would not of course be taken for Merseyside in isolation.

27. With a high proportion both of unskilled labour and of unemployed young people, we think the area is greatly in need of the measures, proposed in our

report "Unemployment and Young People", for increased training for skill, an expanded Community Enterprise Programme and a full training year for unemployed school leavers on which the Employment Secretary is soon to report to E Committee. It would also make sense to expand adult training, even if the trainees had to look elsewhere for employment. These proposals are more fully described in Appendix 5.

28. Merseyside, with its tradition of service industries and its lack of notable success as a manufacturing location, ought to benefit from any shift in regional policy in favour of job creation in service activities. We welcome the recent modest changes in this direction and make some further suggestions in Appeneix 5 which we hope DI will consider in its further study of the question e.g. selecting a few regional cities for the provision of infrastructure, such as advance offices, so as to help attract service projects.

Summary

29. The following is a summary of our proposals and suggestions for further work.

	<u>Action</u>
A. <u>Proposals for early decision</u>	
(1) Persuade Tate and Lyle to announce a <u>firm commitment to a worthwhile enterprise scheme</u> , before the closure of their Liverpool works on <u>3 April</u> (para. 9 and Appendix 4)	DI (PM if necessary)
(2) Persuade Merseyside Development Corporation to make a visible start on <u>development</u> before the end of March, and to publicise its job creation potential (Appendix 4)	DOE
(3) Fix a date for Prime Ministerial visit to Merseyside and announce it in advance of her visit to Neston, Cheshire on 10 April; arrange the latter so as to use Speke airport (para. 10).	PM

Action

- (4) Consider the possibility of nominating a Minister of non-Cabinet rank to act as a link person and lobbyist for Merseyside's interests within the Government, or alternatively a Minister with a similar function for all the English depressed areas (para. 11) PM
- (5) Expand training for skill and the Community Enterprise Programme in Merseyside and other high unemployment areas, and provide a training year for unemployed school leavers (para. 27 and Appendix 5) DE,  
E Committee  
(25 March)
- (6) Publicise the recent improvements in the office and service industries incentives scheme (Appendix 5) DI
- (7) Bear in mind the possible impact on Merseyside when reviewing Assisted Area boundaries (Appendix 5). E(EA) by  
Easter
- B. Suggestions for further appraisal with the possibility of specific decisions in a few months
- (8) Relieve the Mersey Docks and Harbours Company (MDHC) of their inherited liabilities for sewers etc. in former docklands. (Timing could be linked to vesting of land in MDC or to decisions in May/late summer on future of MDHC) (para. 14) CPRS to  
investigate
- (9) Permit Merseyside County Council to build a new terminal at Speke (timing might be summer, linked to proposed Merseyside visit by PM) (para. 17) CPRS to  
investigate
- (10) Enhance office and service industries incentives scheme in special development areas (SDAs) (Appendix 5) DI
- (11) Ensure that MDC boundaries and development plan do not close options affecting scope for development of the port (para. 18 and Appendix 4) CPRS to  
investigate

Action

- (12) Ensure that EZ is marketed in such a way as to maximise potential for airport related development (para. 18) CPRS to investigate

C. Issues requiring further study

- (13) Scope for developing port e.g. by establishing a 'free port' at Seaforth and completing motorway link (para. 15) CPRS to investigate
- (14) Scope for airport expansion based partly on tourism/recreation (para. 17) CPRS to investigate
- (15) Scope for economic/environmental regeneration at Kirkby (para. 19) CPRS to investigate
- (16) Examine the merits and feasibility of producing an economic strategy for Merseyside to cover the future of the inner city, the possibility of continuing economic decline and the relative roles of Merseyside and Manchester in the North West, and to provide a context for examining the effectiveness of regional and urban policies. (paras. 20-24) CPRS to investigate
- (17) Scope for singling out a few regional "service industry reception centres" (Appendix 5) DI
- (18) Scope for using mainstream public investment programmes and the location of publicly financed jobs as deliberate instruments of regional policy. (Appendix 5) DI  
CPRS

MERSEYSIDE: CURRENT ECONOMIC SITUATION

1. "One of the worst unemployment black spots."

<u>Unemployment</u>	<u>February 1981</u>	
	Numbers	Percentage rates
Merseyside SDA	109,487	15.8%
West Central Scotland SDA	163,308	15.2%
South Wales SDA	25,610	18.8%
North East SDA	101,800	14.6%
Northern Ireland	99,849	17.3%

2. "The gap is narrowing between Merseyside and the rest of the North West."

a. Unemployment percentages

	<u>February</u>		
	<u>1979</u>	<u>1980</u>	<u>1981</u>
Merseyside	11.7	12.3	15.8
North West England	7.3	7.6	12.3
United Kingdom	6.1	6.1	10.2
Merseyside as a ratio of UK	1.9	2.0	1.5
NW as a ratio of UK	1.2	1.2	1.2

b. Confirmed redundancies \*

	<u>1980</u>	<u>Jan-Feb</u> <u>1981</u>
	Merseyside, numbers	19,000
percentage of area's labour force	2.7%	0.4%
Redundancies in North West as		
percentage of region's labour force	3.4%	0.6%

\* excluding redundancies of less than 10

CONFIDENTIAL

3. "Many redundancies on the horizon."

Company	Effective date	Nos
Tate and Lyle	3 April	1,530
Courtaulds, Aintree	summer	1,550
Vauxhall, Ellesmere Port	by 30 June	3,000
Mersey Docks and Harbour Company	April, May	1,000

In addition there are press reports of 3,000 white collar redundancies over the next few years from Liverpool Corporation and of a major redundancy programme by Fords (UK) which has a large labour force in Merseyside.

4. "New job prospects are scarce."

(a) New job creating projects include:-

(i) 400 jobs at GEC Marconi at Neston, Cheshire (outside Merseyside county) (which the PM is to open on 10 April)

(ii) 200 jobs at Bootle (Post Office GIRO)

(iii) 50 jobs at Bromborough (White Truck Concessionaires).

(b) Major investment projects include a new ICI plant at Widnes and an £11m plant for BXL Plastics at Birkenhead, (replacing an existing Liverpool factory). Investments like this are a note of confidence in Merseyside but preserve rather than create jobs.

(c) Merseyside has bid for the Nissan car plant. Commercial in Confidence: the area is unlikely to appear on Nissan's short list, although other sites in NW England or in neighbouring North Wales may do so. Some 5,000 jobs would be involved.



ECONOMIC HISTORY

Merseyside grew very rapidly in the nineteenth century. This growth was centred on the development of the port of Liverpool which led to a great demand for unskilled labour. There was little manufacturing industry: the bulk of imported raw material was sent elsewhere for processing. A strong inward immigration flow persisted until the First World War, the dominant element being Irish.

2. Between the wars, the net immigration flow was outwards, but this was more than balanced by the natural increase in the population which was significantly above that of the country as a whole due primarily to the high concentration of Catholics, and the tradition of large families among the Irish immigrants. In this period there was a major decline in employment in the port and associated activities, resulting in a serious unemployment problem. This was recognised in 1936 in that Liverpool Corporation was empowered to build factories and industrial estates - the only local authority <sup>apart from Jarrow,</sup> to be given such special powers. Some part or parts of the area have had special status in one form or another since 1936 although these measures appear to have had little overall effect on the longer term trends.

3. Since the second war, this pattern has persisted, although since the mid 60's the natural increase in the population has ceased to exceed the net out-migration and the total population is now falling - it was estimated at 1.4m in 1978 compared with 1.53m in 1971. The net out migration is not a balanced cross section but has a high proportion of professional managerial and skilled workers. Such trends are especially marked in the inner urban areas. Despite the fall in population the fall in employment has been even faster and unemployment levels have been about twice the national average since the war, except very recently.

4. Although to a lesser degree than formerly, the economy of the area is still closely related to the Port of Liverpool. Many of Merseyside's problems derive from the contraction of the port and port-related activities resultant upon modernisation, changes in shipping patterns and the world recession in shipbuilding. Shipbuilding on Merseyside experienced a fall of 31% of employees between 1971-77 and this decline continues. The once large,

shiprepairing industry has virtually disappeared and much ancillary activity of the port has declined.

5. There has been much new industrial growth, but not enough to compensate for job losses. This has shifted the industry employment emphasis towards the job periphery and away from the central focus of decline. The old jobs lost have been largely unskilled, jobs created are not often comparable. New industries too have sustained job losses, from increasing capital intensity and from changing technology and markets.

6. Although manufacturing employment has declined - by over 15% 1971-77 - Merseyside contains important national concentrations of general and electrical engineering, vehicle manufacture, food processing and chemicals, including petrochemicals. The service sector is exceptionally large (59% of employment); it includes the docks and sea/related transport but also a substantial remnant of its former mercantile strength in insurance and other white collar employment and a large mail order/football pools complex.

PUBLIC EXPENDITURE IN MERSEYSIDE

NB This is an incomplete picture. The estimates are for 1981-82 unless otherwise stated.

	<u>£ million</u>
a. Regional policies (1980-81)	
Regional development grants	80
Selective financial assistance	5
DI advance factory programme	6
b. Urban policies	
Urban programme	22
Merseyside Development Corporation	20
Enterprise Zone	1-1½*
c. Manpower policies	
Special measures	43
Training	8
Total a-c	<u>185</u>
d. Mainstream capital programmes	
Local authority capital expenditure	110
New towns                   "                   "	18
Water and sewerage	NA <sup>†</sup>
Ports (Mersey Docks and Harbour Board)	48
Trunk roads	NA <sup>†</sup>
Health authority capital expenditure	<u>NA<sup>†</sup></u>

\* rate rebates

<sup>†</sup> not available

## DI AND DOE EXERCISES

DI exercise

1. Tate and Lyle propose to announce next week (week beginning 23 March) that they are engaging Job Creation Ltd to mount a two month feasibility study of ways of converting their existing site into workshops and small factories for new small businesses. DI will be discussing the terms of the announcement with Tate and Lyle on 24 March. It seems vital that the Tate and Lyle announcement should catch the local imagination and promise real action if it is to have the intended effect of defusing the impact of the closure. We therefore fully endorse DI's aim of ensuring that the announcement commits Tate and Lyle to more than just a study. It should state their firm intent to carry out such a project, to start work on converting existing buildings on the site as soon as possible, to put in a substantial amount of their own money, and to maintain a continuing tangible link with the project - and thus with Merseyside. It should mention the most novel feature of the scheme which they have discussed with DI, viz a central management agency to find the entrepreneurs, and provide start up guidance and common services, on the lines of the British Steel Corporation's successful Clyde workshops scheme in Scotland. We also see merit in Tate and Lyle's sponsoring, as an integral part of the project, a training workshop under the Youth Opportunities Programme. DI are following up this suggestion.

DOE initiatives

2. The primary aim of the DOE exercise reported in the Secretary of State's minute of 18 March, is to speed up progress in identifying and developing sites for industrial and commercial development, and in particular to get the new Development Corporation and the Enterprise Zone into action as soon as possible. We support these moves. We also welcome his proposal to bring forward water authority investment and to stimulate private sector housebuilding.

3. It seems particularly desirable to ensure the the Development Corporation makes a positive impact when it comes into being formally on 25 March (10 days before the Tate and Lyle closure). We suggest that

- the Corporation should make an immediate start on developing land under licence from its present owners, advertising its presence through signboards etc.

- YOP schemes already agreed with the MDC should similarly start immediately;

- press publicity material should make as much as is prudent of the employment creation potential of the MDC, both during the reclamation phase and in the longer term. It should of course be made clear that the MDC will have a limited geographical remit and therefore a limited impact on employment. Despite its impressive title it is not comparable to a "new town" development corporation.

4. We agree that it is desirable to have some land vested in the MDC as quickly as possible and there seems to be no particular difficulty about this on the Liverpool side of the river. But the pressure for speed should not be so great as to lead to decisions which might close off desirable options for future development. For example we understand that the Mersey Docks and Harbour Company, the Merseyside Water Authority and the MDC are to some extent in competition for the future use and ownership of some land on the Birkenhead side of the river. An issue of this kind is difficult to resolve without an agreed economic strategy for the area, of the kind we advocate in this note.

## MANPOWER AND REGIONAL POLICY OPTIONS

Manpower Policy Options

## (1) Expanded training programmes for adults

1. Prospective adult trainees in Merseyside have to wait over a year for a place on 5 out of every 6 MSC training courses. Provided the resources could be found (eg by cutting training allowances) we would support an expansion of adult training on Merseyside, so that some of its large unskilled labour force would be better equipped to find work elsewhere.

## (2) More training for skill for young people

## (3) A full training year on YOP

## (4) An expanded Community Enterprise Programme

2. These three proposals, which feature in the CPRS' recent report on Unemployment and Young People, would also, if implemented, particularly benefit Merseyside. They will be considered by E Committee again in the near future. There is also a case for extending the length of YOP. The restriction to 12 months means that some youngsters who could benefit from further training have to go back on the dole.

## (5) Enhanced mobility incentives

3. The terms of employment transfer scheme are more generous for workers leaving certain steel closure areas than elsewhere. If Merseyside were felt to have an irremediable labour surplus, a case could be made for providing similar generous terms for its emigrants. This would be seen, however, as a gesture of despair, not hope, for the area. We do not recommend it at this stage.

Regional Incentives

## (6) More generous incentives for service industries

4. Most expenditure on regional incentives (nationally) goes to manufacturing projects. Merseyside has a tradition of service employment and has not been notably successful as a location for manufacturing industry. In principle,

therefore, it would stand to benefit from a shift in the balance of regional incentives policy from manufacturing investment to service job creation. Such a shift may be overdue, in view of manufacturing's long term decline as a source of jobs. DI has recently taken a step in this direction by making its office and service incentives scheme (OSIS) available to "producer services" (eg computing centres) expanding in the Assisted Areas, and not just to mobile projects as in the past. We think this change should be marketed aggressively.

5. There has been pressure to extend Regional Development Grants (RDGs) to service projects. This could in principle be done for the producer services mentioned above. But we are inclined to prefer incentives which pay some attention to the employment created, directly or indirectly, by the project - whereas RDGs meet a fixed percentage of the capital cost of a project, irrespective of jobs created. A possible approach would be to guarantee OSIS projects a fixed percentage of their capital costs, so long as it came within the relevant cost per job ceiling. (Capital costs for this purpose could include the capitalised value of buildings occupied, even if these were leased.) If such a guarantee were given only in Special Development Areas, it would enhance Merseyside's relative attractiveness within the Assisted Areas. We hope that DI will consider these ideas as part of their current further review of service industry incentives.

(7) Designate service industry reception areas

6. There may be a case for a more selective policy of encouraging office and service industry developments in a small number of cities in the Assisted Areas where for example "advance office buildings" would be provided and which would receive preferential treatment for telecommunications. For Merseyside to benefit from such an arrangement it, rather than Manchester, would need to be the priority centre for the North West.

Note to items (6) and (7)

To help pay for improved incentives for service industries one possibility would be to scale down assistance to manufacturing projects eg by applying a cost per job ceiling to the aggregate of RDG and selective assistance received, and not just to the selective element.

(8) A regional policy slant to the distribution of public sector employment

7. Nationalised industries headquarters, centres of central and regional administration, and universities and polytechnics are major generators of jobs whose location could, in principle, be used as conscious instruments of regional employment policy. Such a policy would have obvious costs and difficulties. The question is whether these might be less than the costs and difficulties of continuing to try to solve the problem of areas like Merseyside by distorting locational decisions of the private sector. Much of this is well trodden ground, but it may be worth re-examination.

(9) Assisted Areas boundaries

8. E(EA) Committee has asked for a review of Assisted Area boundaries to be completed by Easter. If Ministers want to continue to give a high priority to the attraction of jobs to Merseyside, they will need to be prepared to resist pressures to extend the coverage of assisted areas in general and of SDAs in particular. If, however, an economic strategy were to show that it could make sense for the North West as a whole to build up Manchester as the region's growth centre, and to develop Merseyside more for residence and recreation, an entirely different approach to assisted area boundaries would be required in the longer term.



Merseyside Development Corporation\*

Enterprise zone\*

Inner city partnership area

\* Proposed boundaries

NB All boundaries are approximate

Scale 1:100,000 (approx 1 inch to 1 mile)





CONFIDENTIAL

LIVERPOOL

Note of a meeting held at the Department of the Environment  
6.45 pm on Tuesday 17 March.

Present: Secretary of State  
Mr King  
Mr Harrop  
Mr Pickup  
Mr Sorensen  
Mr Critchley  
Mr Musgrave  
Mr Fletcher  
Mr C Howes  
Mr A Davies  
Mr Jacobs

The meeting had been called by the Secretary of State to review the progress following the earlier meeting held on 5 March.

ACTION AREA

1. LAND REGISTERS

The Liverpool land register would be published on 18 March. The first meeting of the team of 3 would take place on 20 March. The team would need a reasonable amount of time to investigate the sites on the register and ~~to~~ assess their potential for early release. The proposal to bring in support from private sector surveyors on a consultancy basis could then be considered. But the professional resources could easily be marshalled through the PSA's panel of private surveyors: and the necessary finance for employing the consultant could be found. It was agreed that

(i) the team of 3 should be asked to produce a very quick appraisal of the register, aiming for the earliest possible delivery of sites

(ii) the DOE Regional Director should report back on progress in one month's time.

ACTION TO BE  
TAKEN BY:

Mr Sorensen

2. ENTERPRISE  
ZONE

The statutory invitation to prepare an EZ for Speke had been issued to Liverpool City Council on 13 March. It was hoped that the statutory consultation period would start this week. The critical path prepared for designation of the Zone envisaged designation before the Summer Recess. Action taken over the last week had put the timetable just ahead of target. This momentum should be maintained.

Mr Sorensen

It was reported that Mr McDonald (Regional Director DI) was drawing up a list of the firms likely to be interested in the EZ. The DOE Regional Director should liaise with Mr McDonald on this. The initial view was that advance assurances or guarantees to such firms were unlikely to be necessary. But the DOE Regional Director would report back to the Secretary of State if such concessions were required.

Mr Sorensen  
Mr McDonald  
(DI)

3.  
URBAN DEVELOPMENT CORPORATION

The Area and Constitution Order Debates would be taking place in the Commons on 19 March and in the Lords on 24 March. The UDC should then come into being on 25 March.

The DOE Regional Director had discussed with both DTp officials and Mr Young, the Chairman-designate of the UDC, the main land vesting issues. Some progress had been made and discussions were continuing: but there were clearly difficulties which remained over vesting MDHC sites on the Wirral side of the Mersey and the Albert Dock. It was anticipated however, that land vesting orders would be laid before the Easter Recess covering the bulk of the UDC area ie some 500 acres of land. A further tranche of land could be covered in another vesting order later on following resolution of the remaining difficulties.

Mr Young had now sent the Secretary of State a copy of the MDC's proposed strategy: and this would be followed within the next few days by their final list of proposed initial projects.

It was agreed that

- (i) the Secretary of State should meet Mr Young for a general discussion on progress in the week beginning 23 March.

APS/Secretary  
of State

4.  
HOUSING

It was noted that the absence of funds meant that developing the shared ownership off the shelf scheme was unlikely to make progress in Liverpool. As a means of stimulating home ownership and of providing construction jobs, however, the Secretary of State proposed that urgent consideration be given to a scheme where by private sector builders would be invited to build up to 1,000 houses for sale on Merseyside in 1981/82 (costing, say, £20m) against a guarantee by the local authorities concerned that the builders' costs would be reimbursed in the event of the homes not being sold at the beginning of 1982/83. Should there be any call on the authorities to meet such guarantees, this would be achieved by extra capital expenditure allocations from within the total to be made available for housing for 1982/83. It was noted that the success of such a scheme would depend to a large extent on the early availability of sites and services.

It was agreed that

- (i) the proposal should be urgently investigated.

PS/Mr Stanley  
Mr Harrop

5.  
PUBLIC SECTOR  
INFRASTRUCTURE  
SCHEMES: WATER

Capital infrastructure projects proposed by the North West Water Authority worth some £5.5 million could be brought forward to 1981/82. These could be accommodated within

the PES capital allocation (following the recent consultancy exercise which reduced programmed spending); and the Authority's EFL could be adjusted by virement from the Northumbrian Water Authority. No extra costs were therefore involved.

It was agreed that

(i) action should be put in hand quickly with the NWWA to secure an early start on the schemes.

Mr Musgrave

6.  
SITES FOR  
INDUSTRIAL  
DEVELOPMENT

It was noted that DI were currently negotiating with Tate and Lyle to secure a public announcement by the owners which would demonstrate that, following closure of the refinery, swift action would be taken to clear, refurbish or adapt the site and build new advance factories on it, along with an intensive enterprise campaign to bring in new jobs.

It was agreed that

(i) the DOE Regional Director should keep in close touch with DI on developments here.

Mr Sorensen

More generally it was noted that action was in hand to secure the early availability of 5 major sites (including Tate and Lyle) totalling some 100 acres for industrial development.

It was agreed that

(i) the DOE Regional Director would maintain the Momentum to secure the early release and development of these sites, liaising with the DI Regional Director.

Mr Sorensen

7.  
URBAN  
PROGRAMME

Schemes of £5 million could be identified for environmental improvement works as additions to the Liverpool Partnership Programme, but these could not be said to fall into the economic regeneration category. The Secretary of State said that he was only prepared to consider finding extra UP funds if the projects identified would clearly lead to economic development.

Mr Sorensen

8.  
PLANNING  
PROCEDURES

It was noted that the use of the Special Development Order procedure to give planning permissions for industry was in principle a feasible idea. But Liverpool's record in recent years in dealing with planning applications was good and care should be taken to avoid creating an impression that the Government or local industrialists thought otherwise. Moreover, there were alternative, less formal, mechanisms available to the SDO procedure.

It was agreed that

(i) DOE officials should have informal discussions with Liverpool and the other Merseyside authorities on the desirability of securing a more relaxed planning regime as a means of promoting the attractiveness of the area to industry and the possible mechanisms available, including the SDO procedure.

Mr Sorensen  
Mr Critchley

9.  
PRIVATE SECTOR  
SCHEMES

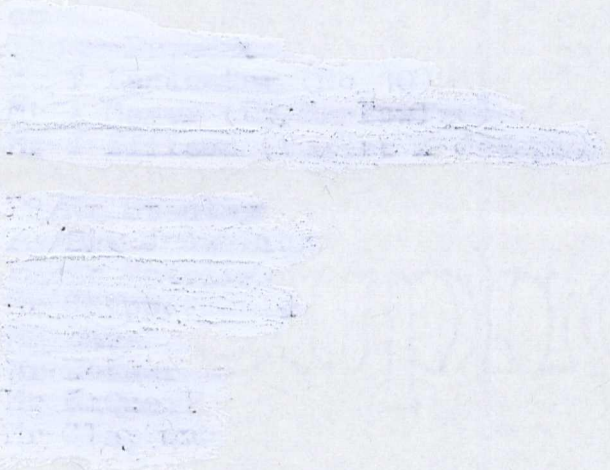
The Secretary of State thought that it would be difficult to mount a general, concerted approach to stimulate institutional investment sufficiently quickly for the current exercise. He would therefore speak directly to the heads of some of the major institutions on Merseyside and attempt to interest them in, for example, investment in assured tenancy schemes.

PS/Secretary  
of State



J JACOBS  
APS/SECRETARY OF STATE

18 March 1981



vb

Keq 101

9 March 1981

The Prime Minister has read your note of 6 March recording the decisions which were taken at the meeting which your Secretary of State held last Thursday to discuss possible measures to assist Merseyside. She is most grateful to Mr. Heseltine for acting so quickly.

TPD

CS

David Edmonds, Esq.,  
Department of the Environment.

*cc Mr Dennis  
Mr Wilson*

*Proceed to*

*2*

C O N F I D E N T I A L

*This is the immediate  
follow-up to your  
conversation with  
Mr Heseltine about  
Merseyside. The CPRS  
will also be letting  
you have their  
ideas.*

LIVERPOOL

Note of a meeting held at the Department of the Environment, 7.45 pm, Thursday, 5 March 1981

Present:

The Secretary of State for the Environment (in the Chair)  
Minister for Local Government and Environment Services  
Mr McGregor, PUSS, Department of Industry

- Mr Sorenson ) DOE/DTP (Regional Director)
- Mr Morrison ) " (North West Regional Office)
- Mr Botham ) " "
- Mr Critchley " (US/Planning)
- Mr McQuail " (US/Inner Cities)
- Mr Fletcher " (AS/Private Sector Housing)
- Mr Edmonds " (PS/Secretary of State)
  
- Mr Lazarus DTP (Dep Sec, Transport Industries)
  
- Mr McDonald DI (Regional Director)
  
- Mr Ibbs CPRS
- Miss MacKay "

*12*  
*4/3*  
*Please thank Mr. H  
for advice very quickly  
indeed not.*

1. The Secretary of State for the Environment said that following a discussion he had had with the Prime Minister earlier in the day the purpose of the meeting was to identify the measures which fell broadly within the responsibility of his Department and which could be taken quickly on Merseyside to alleviate the severe unemployment problems. These problems were exacerbated by the recent announcement of the closure of Tate and Lyle. He hoped that with the help of the Departments represented at the meeting immediate action could be put in hand, and very early critical path analyses prepared wherever necessary.

2. The discussion covered the following areas:

ACTION AREA

ACTION TO BE TAKEN BY

<u>ACTION AREA</u>		<u>ACTION TO BE TAKEN BY</u>
1) LAND		
REGISTERS	Work was advanced on the preparation of registers, especially in the Liverpool City area, though returns were still awaited from the other public bodies. <u>It was agreed:</u>	
	(i) that the DOE Regional Director would contact all bodies involved and ask for returns by Monday, 9 March;	Mr Sorenson(DOE)
	(ii) the registers would be published if possible, later in that week;	Mr Sorenson(DOE)
	(iii) immediately thereafter the teams of three would be sent in to assess the potential of the sites most suitable for early release; private sector surveyors should be employed to provide professional help, and reports issued on an individual basis. Funds could be found from the urban programme if necessary. The Secretary of State for the Environment would be able to use his land release direction	Mr Sorenson(DOE) Mr McQuail (DOE)



LAND  
REGISTERS  
continued

powers. DI should be kept closely in touch, for on sites suitable for advance factory building Industry Act finance could be available for clearance works. There was also the possibility of using derelict land grants from the DOE programme. This should be investigated.

Mr McDonald (DI)

Mr Critchley(DOE)

i)  
ENTERPRISE  
ZONE

The Merseyside Enterprise Zone was being delayed because of a dispute between local politicians over the planning regime and the boundaries. Until this was resolved an invitation could not be issued, and the various procedures begun. It was agreed:

(i) that the DOE Regional Director should ask the Liverpool Chief Executive for a positive reply to the letters sent by DOE Ministers, by Monday, 9 March. If this was not forthcoming, DOE Ministers would seek an immediate meeting in Liverpool or London to hammer out formal agreements;

Mr Sorenson(DOE)

Mr Edmonds (DOE)

(ii) on the assumption of an early satisfactory outcome on (i) above, a critical path should be prepared by Wednesday, 11 March, with target dates, for the approval of the Secretary of State, on the designation of the EZ. The statutory procedures could not be avoided, but the minimum time for each stage should be allowed;

Mr McQuail (DOE)

(iii) it had been reported to DI by BL that firms had shown interest in taking over part of the 1 million sq ft of BL factory space, provided they could be assured this was in the EZ. Every effort should now be made to quantify for those interested firms the benefits of the EZ, and full consideration given to the advance assurances or even guarantees that could be given, if necessary by Ministers on, eg, rates concessions and Industry Act assistance. DOE and DI should ensure that any and every interested firm was contacted quickly;

Mr McQuail (DOE)  
Mr McDonald (DI)

ii) URBAN  
DEVELOPMENT  
CORPORATION  
(UDC)

The UDC would have significant resources available in year one. It was essential to bring these to bear as soon as possible. On the present legislative timetable, the UDC would come into legal operation on 20 March. It was agreed:

(i) URBAN  
DEVELOPMENT  
CORPORATION  
continued

(i) the legal/statutory processes should go forward as quickly as possible; a critical path, covering procedures, land vesting, staffing, projects and board membership, with target dates, should be submitted to the Secretary of State by Wednesday, 11 March;

Mr Sorenson (DOE)  
Mr McQuail (DOE)

(ii) every effort would be made to resolve by negotiations with Sir Frank Page the immediate difficulties over Mersey Docks Company land;

Mr Lazarus (DTp)  
Mr Sorenson (DOE)

(iii) if the more difficult problem - the land wanted by the UDC, on the Wirral side of the Mersey - could not be resolved, submissions should be put to the Secretaries of State for the Environment and Transport, if possible by Wednesday, 11 March, with the aim of reaching decisions by Friday, 13 March;

Mr Lazarus (DTp)  
Mr Sorenson (DOE)

(iv) in the short term it might be necessary to exclude pieces of land from vesting if this would enable the timetable to be kept to. The timetable (see (i) above) should ensure that the land vesting order went through the House before the Easter Recess;

Mr Sorenson (DOE)  
Mr McQuail (DOE)

(v) a list of UDC projects should be submitted for approval to the Secretary of State by Friday, 13 March.

Mr Sorenson (DOE)

(v) TATE AND  
LYLE SITE

The Department of Industry already had authorised the construction of 340,000 sq ft of advance factories in the SDA. In addition to the land register sites which might be released, if the Tate and Lyle site could be cleared quickly, new units could be built there. It was agreed:

(i) that DI would investigate immediately the possibility of using the available funds for land purchase and site clearance, and the early construction of advance factories. Every effort should be made to attract private sector development through the use, if necessary, of public sector funds with high gearing ratios.

Mr McDonald (DI)

(v) ADVANCE  
FACTORIES  
WITH RENT  
GUARANTEES

The Treasury had agreed to very limited experiments of a guarantee scheme whereby private sector developers built advance factories, with any shortfall between market rents and interest charges - if necessary - met by the public sector, for up to 2 years.

) ADVANCE  
FACTORIES  
WITH RENT  
GUARANTEES  
continued

It was agreed:

(i) that DOE would look urgently at this possibility in the Liverpool context, though the potential seemed limited through lack of sites.

Mr Clayton(DOE)

i) SHARED  
OWNERSHIP AT  
MINIMUM COST

Another very highly geared mechanism was the shared ownership at minimum cost scheme developed by the Minister of Housing whereby the investment of public sector funds could attract up to four times that amount of private sector development, thus stimulating the building industry. It was agreed:

(i) that DOE would investigate urgently the prospect of investment of this nature on Merseyside.

PS/Mr Stanley(DOE)  
Mr Fletcher(DOE)

ii) URBAN  
PROGRAMME  
RESOURCES;  
LOCAL ENTER-  
PRISE TRUST

It was agreed:

(i) that if there were urban programme projects which could quickly be brought forward which would lead to economic development, an early submission should be made to the Secretary of State, with proposals for finding the resources;

Mr Sorenson(DOE)  
Mr McQuail (DOE)

(ii) if, say, £50,000 could be made available from the £1 million being provided by Tate and Lyle, a local enterprise trust could be set up. DI would consider urgently, in connection with the enterprise team in DOE (NWRO).

Mr McDonald (DI)  
Mr Sorenson(DOE)

iii)  
PLANNING  
PROCEDURES

It was essential for the local planning authorities to remove all unreasonable obstacles to economic development.

It was agreed:

(i) that Mr Shaw, PUSS (DOE) should obtain the local planning authority statistics; he should then consider action to be taken to bring home to the authorities the necessity for swift action in resolving planning applications. The possibility of using the Special Development Order procedure should be examined in this context. A report should be made to the Secretary of State by Friday, 13 March.

PS/Mr Shaw (DOE)  
Mr Sorenson(DOE)  
Mr Critchley(DOE)

x) REGIONAL  
DEVELOPMENT  
GRANTS

Though the objection to using RDG for service industries were understood, Merseyside was heavily dependent on service industries, and in the desperate employment situation every policy possibility needed to be looked at. An amendment to the Finance Bill could be a possibility. It was agreed:

(i) that the CPRS study would cover this point. Mr Ibbs (CPRS)

y) PRIVATE  
SECTOR  
SCHEMES

The Secretary of State for the Environment was pulling together for general use a variety of other mechanisms for stimulating private sector investment - eg institutional investment in assured tenancy schemes, or building society direct investment in inner areas. It was agreed:

(i) that this work should be expedited and the possible application to Merseyside assessed.

PS/Secretary of  
State (DOE)

zi) PUBLIC  
SECTOR  
SCHEMES

It was agreed:

(i) that public sector infrastructure schemes - eg a new sewage treatment works - planned in any event for the area should be looked at quickly with a view to expediting the start of construction works wherever possible. A report should be made to the Secretary of State by Friday, 13 March 1981.

PS/Mr King (DOE)  
PS/Mr Stanley (DOE)

3. Concluding the discussion, the Secretary of State reiterated the gravity of the problems and the need for all Departments concerned to seize every opportunity that existed in a totally aggressive way. Every option should be considered, and every feasible idea put to Ministers. He would ensure that officials throughout his Department were aware of the need to respond urgently and constructively to approaches made by his Regional Director, Mr Sorenson, who would be responsible for co-ordinating the work. The Secretary of State said that he would report to the Prime Minister on the measures being taken, and specifically on the ideas for generating private sector investment through limited public sector expenditure.

  
D A EDMONDS  
PS/SECRETARY OF STATE  
6 March 1981

cc: Tony Mayer (PS/Transport)  
Ian Ellison (PS/Industry)  
Robin Young (PS/Housing and  
Construction)

PS/Sir J Garlick  
PS/Mr Moseley  
Mr Chipperfield (DOE)  
Mr Burr (DOE)  
Mr Heiser (DOE)  
Mr Clayton (DOE)

Copy: Those Present  
Tim Lankester (No 10)  
John Wiggins (PS/Chancellor of  
the Exchequer)  
Terry Mathews (PS/Chief Secretary)

CONFIDENTIAL

Prime Minister

2



Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213.....6400.....GTN 213

Switchboard 01-213 3000

~~Mr Lyell~~  
~~Mr Vockler~~  
~~Mr Hodgson~~  
~~Mr Luff~~

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

16 February 1981

*Mr Luff*

## NORTH vs SOUTH

Keith Joseph's decision not to establish a Northern Development Agency (NDA) was announced just as I was thinking of writing to you about unemployment in the North of England - by which I mean in this context the Northern and North Western regions. I do not say that if I had been consulted before the announcement was made I should have argued in favour of an NDA - or a Minister for the North. But I am very much concerned lest this announcement will have encouraged even our supporters in the North in their belief that the scales are unfairly weighted against them.

There can be no denying that the North, particularly Northern region and Merseyside, has fared very badly as far as unemployment is concerned. Indeed, with the exception of a few months last autumn and in 1975-6 the unemployment rate in the Northern Region has consistently been higher than that of any other region in Great Britain ever since 1973. However, as the following table shows, the gap has narrowed appreciably in the last year, mainly as a result of the sharp rise in unemployment in the West Midlands.

Regional Unemployment Rates as Percentages of GB Rates

	January 1980	January 1981
Northern Region	154	137
Wales	138	136
North West Region	129	124
Scotland	144	123
West Midlands	99	118



The total current numbers of unemployed in these regions, and the corresponding rates, are shown in this table:

Unemployment, seasonally adjusted and excluding school leavers, January 1981

	Numbers, '000	Rate
Northern Region	171.9	12.4%
Wales	133.5	12.3%
North West Region	320.1	11.2%
Scotland	252.3	11.2%
West Midlands	248.5	10.6%

Within all regions, of course, the incidence of unemployment varies considerably. In Scotland, for example, the Grampian, Lothian and Borders regions all have unemployment rates below the GB average, while the rate in Strathclyde is well above it. The following table groups the unemployment figures of the worst-hit districts in all three countries:

Unemployment: Numbers and Rates January 1981

Northern SDA	101,146	14.5%
Strathclyde	166,622	15.1%
Merseyside SDA	109,483	15.8%
Welsh SDAs	44,754	16.1%
South Western SDA	5,701	16.7%

(The rate for the West of Scotland SDA is 15.2% and that for all Scottish SDAs is 15.1%).

Much the same story emerges from a study of the worst-hit travel-to-work areas (TTWAs). There are unemployment rates of up to 20% or more in small rural TTWAs throughout Great Britain. A number of medium-sized TTWAs, mainly steel closure areas, have rates of between 15 and 20%, and the rates at Consett and Corby are well over 20%. But the highest rates in sizeable TTWAs (arbitrarily defined for the purposes of this letter as those with at least 10,000 unemployed and with a rate of at least 13%) are shown in this table:

Unemployment in January 1981

<u>Region</u>	<u>TTWA</u>	<u>Assisted Area Status</u>	<u>Numbers of unemployed</u>	<u>Rate</u>
Scotland	N Lanarkshire	SDA	27,939	18.4%
Northern	Wearside	SDA	23,956	17%
Northern	Teeside	DA	37,118	16.4%
North West	Liverpool	SDA	76,626	16.1%



<u>Region</u>	<u>TTWA</u>	<u>Assisted Area Status</u>	<u>Numbers of Unemployed</u>	<u>Rate</u>
North West	Birkenhead	SDA	24,830	15.7%
Northern	South Tyne	SDA	28,061	15.5%
North West	Wigan	DA	10,776	14.8%
Scotland	Dundee	SDA	13,959	14.3%
Scotland	Glasgow	SDA	84,276	14.2%
Wales	Port Talbot	SDA	11,531	14.2%
W Midlands	Coventry	Non-assisted	31,475	13%
Yorks and Humberside	Doncaster	IA	14,595	13%

I should mention here that I have deliberately confined this letter to Great Britain, mainly because Humphrey Atkins's letter to you of 16 December said all that needed to be said about Northern Ireland. But it is worth reminding ourselves that last month Northern Ireland's seasonally adjusted unemployment rate, excluding school leavers, was 15.8%, compared with the GB rate of 9.1% or Northern Region's figure of 12.4%.

To sum up:

(a) Northern Region's unemployment rate remains, as it has been for years, higher than that of any other region in Great Britain;

(b) Merseysides's total of unemployed is well over double that of all Welsh SDAs;

(c) in the last 12 months unemployment in the West Midlands has doubled - a far quicker rise than anywhere else. Perhaps the most striking result of this is that the current unemployment rate in (non-assisted) Coventry - 13% - is higher than that of a number of Development Areas or indeed of two TTWAs enjoying SDA status;

(d) to say this is not to criticise the system by which regional aid is concentrated on the areas of long term decline. But we need to bear in mind that in the short-term places like Coventry, Birmingham and Wolverhampton, which have traditionally been regarded as growth areas, are suffering from unemployment on a scale normally only associated with Development Areas.



(e) .lastly, we have to remember that the Northerners genuinely believe that, despite the great deal of money that is being spent on them, Scotland and Wales fare better because with their own Secretaries of State and their own Development Agencies they are better able to press their claims. I must confess that I have a good deal of sympathy with the Northerners over this. But even those who take the contrary view need somehow to convince the Northerners that their case is not being allowed to go by default.

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

A handwritten signature in dark ink, consisting of a large, stylized initial 'Y' followed by a series of loops and a long horizontal stroke, ending in a vertical line.





From the  
Minister of State  
Norman Tebbit MP

DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB  
TELEPHONE DIRECT LINE 01-212 7691  
SWITCHBOARD 01-212 7676

*Regional Post*  
✓  
MS

2

PRIME MINISTER

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

*MS*

To see. You have had several letters arguing  
for the appointment of a Minister for the North,  
and the ruling out of the NDA is one  
6 February 1981  
response to those pleas

*MS*  
6/2

*Dear Secretary of State*

/oral Jack Dormand has an ~~APQ~~ down for answer on Monday 9 February:  
"To ask the Secretary of State for Industry if he will now  
establish a Northern Development Agency". I shall be  
replying on Keith's behalf and propose to say "My Rt Hon  
Friend is not persuaded that the best interest of the  
North would be served by the creation of such an Agency."

This question of a Northern Development Agency is one we  
have considered in great depth and detail in this Department  
of late, and we are all now firmly convinced that it would be  
quite the wrong approach to the problems of the North. I  
know that you have taken a particular interest in this  
question yourself in the past and therefore thought you  
should be aware of our decision and the way we propose  
to announce it.

This is not to say, of course, that we do not recognise the  
advantages of having a truly "Northern" body combining the  
strengths of the main organisations concerned with economic  
development in the area. It would clearly be helpful if we  
could point to something rooted in the North and constituting  
a single, authoritative voice to motivate people, mobilise  
ideas and generally provide a focus for the efforts of all  
those with an interest or a role in furthering the region's  
progress. Before Tom Trenchard left the Department he had  
been encouraging Roy Mann, the Northern Regional Chairman of  
the CBI, to examine the prospects for putting together a



body on these lines and I am keeping in touch with this progress, which he tells us is promising.

I am copying this letter to the Prime Minister, Jim Prior, George Younger, Nicholas Edwards and Norman Fowler.

*Yours sincerely*

*P F Musgrave*

PP NORMAN TEBBIT  
(Approved by the Minister  
and signed in his absence)

Regional  
Plan

Ref. A04073

PRIME MINISTER

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Enterprise Zones

(E(81) 9 and 10)

BACKGROUND

The Committee agreed last July (E(80) 26th Meeting, Item 2) that there should initially be six Enterprise Zones (EZ's) in England and one each in Scotland, Northern Ireland and Wales. Since then it has been decided to have two smaller sites rather than one large one in the Midlands, giving a total of seven for England. Of these, six have already been announced: Liverpool; Salford/Trafford; Newcastle/Gateshead; Dudley; Corby; and the Isle of Dogs. It has also been announced that there will be a Zone, at a site yet to be chosen, in the North of England.

2. On 20th January the Committee agreed that a second Enterprise Zone should not be designated in Wales for fear of generating irresistible pressure for further Zones in Scotland, Northern Ireland and North of England (E(81) 2nd Meeting).

3. In E(81) 9 the Secretary of State for the Environment recommends:-

- (i) That rather than have one large EZ in the North of England there should be two smaller Zones at Hartlepool and Wakefield (the other applicants were Sheffield and Scunthorpe) - see his paragraphs 3-5 and Annex A.
- (ii) That, contrary to the decision taken by E in July, there should be an EZ at Wandsworth, giving London two EZs - paragraph 6.
- (iii) That in the Newcastle/Gateshead Zone only the southern part of the Team Valley Industrial Estate should be included - paragraphs 8-12 and the map attached.

4. The Secretary of State for Industry argues, in E(81) 10, that the whole of the Team Valley Industrial Estate should be included in the Newcastle/Gateshead EZ. The Chancellor of the Exchequer, in his letter of 23rd January to the Secretary of State for the Environment, argues that only half the southern part of the Team Valley Estate should be included; and that Wandsworth should not be designated; but he agrees that Hartlepool and Wakefield should be accepted.

~~CONFIDENTIAL~~

HANDLING

5. I suggest that you divide the discussion into three parts: the proposals for the Northern Region; Wandsworth; and the dispute over the Team Valley Estate. The Secretary of State for the Environment, the Chancellor of the Exchequer and Mr. Tebbit (the Secretary of State for Industry is dealing with the BL statement and subsequent Press conferences) will wish to speak on each part.

6. The Secretaries of State for Wales and Northern Ireland and Mr. Rifkind (the Secretary of State for Scotland is speaking in a debate in the House) will wish to comment on the implications of the English proposals for them. The Secretary of State for Wales will undoubtedly point out that England was first given six Zones, then a seventh, and now the Secretary of State for the Environment is proposing two more. He may well, therefore, be tempted to try to reopen the decision against Deeside which in turn would mean that Scotland and Northern Ireland would each be looking for a further Zone.

The North of England

7. The Secretary of State for the Environment proposes two small sites rather than one large one. The main questions are:-

- (i) If there is to be an additional English Zone - and two more if Wandsworth were to be accepted as well - can (and should) pressure be resisted for conceding additional sites in Wales, Scotland and Northern Ireland?
- (ii) If it is acceptable to have two small sites instead of one larger one in the North of England, does the Committee agree with the choice of Hartlepool and Wakefield?
- (iii) If there is to be only one site, should it be the large one at Sheffield?

Wandsworth

8. At their meeting on 22nd July the Committee specifically rejected a proposal for Wandsworth on the grounds that it might prove expensive to develop; there could be objections to it for environmental reasons; and the decision to designate two EZs in London could be criticised in other parts of the country. The Secretary of State for the Environment now proposes a small Zone at Wandsworth which he believes would mitigate the cost and environmental objections. He argues for it on the grounds of restoring the regional balance of the list.

~~CONFIDENTIAL~~

9. The Committee may well see the regional balance argument as double-edged. If London and the North of England were now to have two each, Scotland, Wales and Northern Ireland would be almost bound to ask for like treatment. The defence that the proposed Zones are small would probably not be sufficient. You will recall that the Secretary of State for Wales was willing to designate only part of the Deeside Industrial Park if that had been acceptable to the Committee.

The Team Valley Industrial Estate

10. You will wish to refer here to the map at the back of E(81) 9. The Team Valley Industrial Estate is the separate part of the proposed Zone in Gateshead. The Secretary of State for the Environment wants to designate only the southern half; the Chancellor of the Exchequer wants to confine it to only that part of the southern half where the undeveloped land is concentrated; and the Secretary of State for Industry (E(81) 10) wants to include the whole lot including the hatched area in the northern part.

11. As explained in E(81) 10, the argument for including the whole area is that the Team Valley Industrial Estate is owned by the English Industrial Estates Corporation (EIEC). They have been directed to help finance their factory programme and to do this they want to sell land in the northern part of the Estate which they do not believe is possible if it is to be excluded from the Zone (paragraph 3 of E(81) 10). The Committee will wish to weigh these points against the counter-arguments:-

- 10/26-*
- (i) The northern part of the Estate is well-developed already, so that its inclusion in an EZ would mean windfall gains for existing firms and would cost £1.4 million a year in rate compensation.
  - (ii) A boundary concession could lead to pressure for similar boundary revisions in the other Zones.
  - (iii) The designation would enhance the value of the land and so lead to higher sale receipts for the public sector EIEC, but such windfall gains have been denied to private sector estate owners outside the boundaries of EZs.

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12. If the Committee rejects the inclusion of the northern part of the Team Valley Estate the question is whether the whole of the southern part should be included, as proposed by the Secretary of State for the Environment, or only some of it as proposed by the Chancellor of the Exchequer.

CONCLUSIONS

13. In the light of the discussion you will wish to record conclusions on:-
- (i) The Zone, or Zones, to be designated in the North of England.
  - (ii) Whether Wandsworth should be designated as an EZ.
  - (iii) The extent to which the Team Valley Industrial Estate should be included in the Newcastle/Gateshead Zone.

RA

ROBERT ARMSTRONG

23rd January, 1981

CONFIDENTIAL



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

23 January 1981

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

*Am Michael*

#### ENTERPRISE ZONES

I have seen your paper E(81)9 and Keith Joseph's E(81)10. It may be helpful if I make some observations.

As far as the Tyneside zone is concerned, I fully share your reservations on Keith's proposals to include the northern part of the Team Valley estate. In my view, the addition he proposes is unnecessary to ensure a reasonable chance of success for the zone and would have unwelcome implications for the size and cost of other zones. We agreed at E Committee earlier this week not to designate a zone at Deeside inter alia because it would lead to pressures for other zones elsewhere. The sheer size of the zone - at over 1400 acres if the northern part were included, nearly three times our benchmark of 500 acres - would I am sure cause such pressure to arise.

Even without the northern part, the zone will be exceptionally large at 1150 acres. I note that you talk in terms of "the most defensible boundary" as a justification for this. But I wonder whether the line could not be drawn to include only the undeveloped area within the southern part which would reduce it by about half (200 acres). We need to try to reduce the size if we can.

On your proposals for the Northern Zone, I see no objection to your wish to have two small sites at Hartlepool and Wakefield rather than one larger one. But I think it would be wrong to add Wandsworth. "Regional balance" can be interpreted in a number of ways, giving rise to further demands for some kind of geographical fairness. I do not think it worth risking that.

I am sending copies of this letter to the Prime Minister, the other members of E Committee, and Sir Robert Armstrong.

GEOFFREY HOWE

*Geoffrey Howe*

  
CONFIDENTIAL

*Regional Policy*

PRIME MINISTER

Enterprise Zones: North-East Wales  
(E(81) 7)  
Additional Enterprise Zones  
(E(81) 8)

BACKGROUND

The Committee agreed last July (E(80) 26th Meeting, Item 2) that there should initially be six Enterprise Zones in England, and one each in Scotland, Northern Ireland and Wales. Since then it has been decided to have two smaller sites rather than one large one in the Midlands, giving a total of seven for England. The choice of the final site for the Northern Region, the extent of the Tyneside Zone, and any other outstanding issues, will be discussed in a separate paper which the Secretary of State for the Environment is preparing for the meeting of the Committee arranged for Monday, 26th January.

2. You agreed to consider the Secretary of State for Wales' proposal for an additional site in North-East Wales this week, so that he could, if the Committee agreed, make an announcement in the Welsh Day Debate on Thursday, 22nd January.

3. The main arguments for a second site in Wales, probably in the Deeside Industrial Park near the Shotton steel works, are set out in paragraphs 2-4 of E(81) 7: the Deeside and Wrexham areas suffer from similar industrial problems to South Wales - where there is to be a Zone in Swansea; and in particular they are hit by steel closures.

4. A major difficulty, acknowledged in paragraph 5 of E(81) 7, is that acceptance of an additional Welsh Zone would almost certainly mean an extra Zone in Scotland and in Northern Ireland as well; and, if it was regarded as in response to steel closures, could also lead to pressure for other Zones in England.

5. The Chancellor of the Exchequer, in E(81) 8, reminds the Committee that the Enterprise Zone concept is experimental, and suggests that experience should be gained before the number of Zones is appreciably extended. He lists four objections to Deeside:-

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- (i) It is unnecessary for testing the Enterprise Zone concept (paragraph 4).
- (ii) It would be seen as a response to Shotton job losses, thus implying that Zones are a major instrument for job creation and provoking demands for Zones in other areas faced with similar fundamental problems (paragraph 5).
- (iii) The cost: in addition to the immediate costs of development, and of existing rate income foregone, there is the possibility that industries would be attracted from elsewhere, if the Zone was successful, and in that event their rate and tax contributions to the Exchequer would be lost (paragraph 6).
- (iv) Deeside already has Special Development Area status, is eligible for assistance from the Welsh Development Agency and BSC(Industry), and there is no evidence that planning restrictions inhibit development in the area (paragraph 7).

6. The Secretary of State for the Environment emphasised in his minute to you of 2nd January that the financial institutions have said that they will not invest anywhere near a prospective Enterprise Zone until the status of the Zones is settled. He is therefore likely to argue for an early decision on this, and other sites, and a period of stability thereafter.

HANDLING

7. You will wish to ask the Secretary of State for Wales to introduce his paper, and then hear the counter arguments from the Chancellor of the Exchequer. You will then wish to take comments from the Secretaries of State for the Environment, Scotland and Northern Ireland before opening the discussion more widely.

CONCLUSION

- 8. You will be able to decide either: that the proposal for an Enterprise Zone in North-East Wales is agreed, and can be announced by the Secretary of State in the Welsh Day Debate on 22nd January;



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or: that the number of sites should be limited to that agreed last July - as subsequently modified by the decision to split the Midlands Zone in two - and that the Committee will aim to reach final decisions on those sites at its next meeting.

RA

Robert Armstrong

19th January 1981

CONFIDENTIAL



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

19 January 1981

The Rt. Hon. Humphrey Atkins, M.P.,  
Secretary of State for Northern Ireland

*Dr. Murphy*

BELFAST ENTERPRISE ZONE

Thank you for your letter of 13 January. I welcome your proposals for limiting the total size of the zone to the 500 acre mark put to E Committee. I am content for this to be done by designating the different 100 acre site along the Northern Foreshore you suggest.

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

GEOFFREY HOWE

*will request if required*

*[Signature]*

Regiment Post

Newspaper

July 79





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PRIME MINISTER

ENTERPRISE ZONES: NORTH EAST WALES

I have circulated a paper (E(81)7) on a second Enterprise Zone in Wales - on Deeside - for discussion at E next week. It would be useful if it proved possible to discuss this proposal before the Welsh Day Debate on 22 January since, if it is approved by E, I would be able to make an announcement in the debate. I would very much like to be able to do this for obvious reasons, but I would not wish to press the point if there would be real difficulties in arranging a meeting of E before next Thursday.

I am sending copies to members of E, George Younger, Humphrey Atkins, Robin Ibbs and Sir Robert Armstrong.

Prime Minister

Mr Heseltine will not be able to circulate

a paper paper on the remaining <sup>EZ</sup> issues before the E meeting set for next Tuesday. I really think it

would be better to def the Wales issue until the following week - notwithstanding

Mich Edwards' point at

X.

R.

RNE

14 January 1981

Can we not deal with Mr. H's points orally?

not

Some N Edwards' office who said they saw no objection to N Edwards' paper being taken by E on Tuesday 20 January. There was general paper, which would not be ready for a meeting on Tuesday, would not be attended.

Then N Edwards' office and Dame Worsley.

RNE

16.



*David Austin*

2

PRIME MINISTER

ENTERPRISE ZONES

*T.L.*  
*14/1*

I would like to make it clear that I agree with Geoffrey Howe and Michael Heseltine that while Deeside may have a strong case for EZ treatment, we must avoid a direct association between EZs and steel closures or we risk a total alteration in the original experiment. The time has come, as Michael says, to make our final choice of EZ sites so that it will be clear thereafter that EZ status is not an option when remedial measures for steel closure areas are being considered.

I am copying this minute to Geoffrey Howe, Jim Prior, Michael Heseltine, George Younger, Nicholas Edwards and Humphrey Atkins.

*KJ*

*mt*

K J

14 January 1981

Department of Industry  
Ashdown House  
123 Victoria Street



1. TL *TL*  
To see.

I think Cabinet Office are hoping that matters can be settled in correspondence.

2. *na*

*MAP*

*Reg Pd*

2 MARSHAM STREET  
LONDON SW1P 3EB

My ref:

Your ref:

14 January 1981

*Dear Mike*

Thank you for your letter of 6 January.

I understand that the Secretary of State for Wales intends to put a paper to colleagues about a further enterprise zone for Wales, in response to the Prime Minister's request for urgent consideration.

My own Secretary of State will, as the Prime Minister asks, put forward for discussion at the same time a paper covering any other issues still requiring collective discussion.

I am copying this to Peter Jenkins (HM Treasury), Ian Ellison (Department of Industry), Richard Dykes (Department of Employment), John Craig (Welsh Office), Godfrey Robson (Scottish Office) and Roy Harrington (Northern Ireland Office), and to David Wright (Cabinet Office).

*Yours sincerely*  
*Jeff Jacobs*

JEFF JACOBS  
Private Secretary

Mike Pattison Esq



Mr. Inghid

MK

2

2 MARSHAM STREET  
LONDON SW1P 3EB

Prime Minister

Progress report on  
Enterprise Zone plans.  
Preparations are now  
well advanced

leg Pd

My ref:

Your ref:

8 January 1981

De Cuffey

MAR 81

I wish to ensure that all the current zones, except the one which the UDC will manage in the Isle of Dogs, are in being before the summer recess, but the statutory steps prior to designation are necessarily long. To meet this timetable we should issue invitations by mid-January.

In addition to Salford/Trafford, on which I wrote to you on 3 December, we have now resolved with the Local Authorities most of the outstanding issues at Newcastle/Gateshead, Dudley and Corby. At Newcastle/Gateshead, however, the extent to which the Team Valley Industrial Estate is to be included within the zone still has to be decided. I have seen your correspondence with Keith Joseph and have written to him myself on this.

The Newcastle/Gateshead zone, excluding Team Valley, straddles the Tyne and totals about 730 acres. The rate cost is estimated by the Local Authorities concerned to be about £1.2 million. (The part of the Team Valley Industrial Estate we are proposing would add about 420 acres to this at a rate cost of about £900,000). This zone will thus be somewhat larger than that discussed in E Committee in July, but we do not now see the need for the additional £4.0m of expenditure as then envisaged. I do not believe we can cut back on this acreage without losing the interest of the Local Authorities.

The Dudley zone was estimated by the Authority to be 410 acres but closer inspection and a rationalisation of certain boundaries has increased that area to 450 acres. After extensive public consultation and negotiation with our regional office Dudley have now proposed a zone of 538 acres. Of this increase of 88 acres 69 are made up of developable land, with no additional rate cost. I want to agree to the extension. The local economy is fairly robust; the demand for land remains high and the authority and local private interests are exceptionally keen - as I know from my own discussions with them. But there is less land than in most other zones immediately available for development. With the extension about 275 acres is vacant land for new development, half of it available within the first three years. The rate cost of the zone is now estimated by the Local Authority to be about £0.6 million. This is considerably less than the cost of Bilston, which Dudley and Corby replace.



In Corby we have been negotiating the boundaries of the zone and the planning regime both with the District and the Commission for the New Towns, which owns the land. The site was originally 250 acres but again we have agreed to some minor modifications to the boundary which bring it in total to 280 acres. The site now consists of parts of the Earlestone and Weldon industrial estates and I am sure that this is the minimum viable zone.

In addition to this area Corby District are proposing, at the request of the Commission, a 98 acre site known as Willowbrook East which adjoins the Weldon Estate. The reasons for including this site are that the pattern of infrastructure proposed for the site, and the load-bearing properties of the site, would suit a major industrial user. The remainder of the zone is being provided with a finer grid of services to create the smaller plots required by light industrial firms. Obviously it would be greatly to Corby's advantage if they could have a large site within the EZ immediately available for a major enterprise, possibly from abroad. Because of this extra degree of flexibility I am in favour of this extension. There is no rate compensation required on either the main zone or the extension in Corby.

I am pleased to say the planning regime we have agreed on each zone is very relaxed. As has generally been the case the main concern has been the possibility of unrestricted retail development. Even here, however, we have negotiated a liberal approach. In Newcastle/Gateshead there will be a tight restriction only on food retailing, which we have yet to determine. Beyond this, however, Newcastle, even though concerned to protect the massive public and private investment in the Eldon Square shopping centre, would give deemed permission to all retailing up to 25,000 sq ft. Gateshead would abandon all other planning constraints on retailing. In Dudley food and clothing will require permission for developments exceeding 27,000 sq ft but all other restraints on retailing will be abolished. In Corby, because of the surfeit of supermarkets, food retailing in excess of 2,500 sq ft would be subject to planning control but there would be no other planning restrictions on retailing. I intend to agree these proposals which I feel are as unrestricted as local circumstances allow.

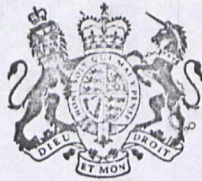
Colleagues may like to know that, even though we will be designating one more site than envisaged at E Committee, I expect the total rate costs of the English zones to remain within the estimates of about £8.7 million provided for E Committee.

To enable me to issue the invitation on these two zones in good time I would be grateful if you could let me have reactions, if any, by Wednesday 14 January.

Copies of this letter go to the Prime Minister, to Members of E Committee, to George Younger, Nicholas Edwards, Humphrey Atkins, Robin Ibbs and to Sir Robert Armstrong.

Yours  
Michael

MICHAEL HESELTINE



10 DOWNING STREET

From the Private Secretary

cc: HWI  
DOI  
DM  
WO  
SO  
NIO  
6 January 1981  
+ Co

The Prime Minister has seen your Secretary of State's minute of 2 January about enterprise zones.

She agrees that Ministers should aim to reach decisions on the outstanding possibilities as soon as possible. She hopes that your Secretary of State will be in a position to submit a paper for further discussion in E within the time-table suggested in his minute.

I am sending copies of this letter to Peter Jenkins (HM Treasury), Ian Ellison (Department of Industry), Richard Dykes (Department of Employment), John Craig (Welsh Office), Godfrey Robson (Scottish Office) and Roy Harrington (Northern Ireland Office), and also to David Wright (Cabinet Office).

M. A. PATTISON

David Edmonds, Esq.,  
Department of the Environment.

SP

of Mr Duguid

to Mr Wright 1



Prime Minister

We are already expecting an E discussion on further zones. Should we ~~now~~ ask for papers to be ready within the timetable suggested by Mr Heseltine?

Yes  
mt

Prime Minister

## ENTERPRISE ZONES

MR 5/1

I agree very much with the points made in Geoffrey Howe's minute to you of 17 December and am pleased to see that other Departments are being consulted on the possibility of a further Enterprise Zone on Deeside. Shotton must have a strong case for an EZ, which I am sure we would want to consider sympathetically. However, I feel we must be careful not to allow Enterprise Zones to be seen as an answer for steel closures. Corby, which has been selected for an Enterprise Zone, is a steel town, as are three of the candidates for the outstanding Enterprise Zone in the Northern Region - Sheffield, Hartlepool, and Scunthorpe. Consett, Stoke and Wolverhampton, which we have rejected as candidates for Enterprise Zones, have also suffered steel closures. Thus an EZ at Shotton is bound to increase pressure for similar treatment for some of these English towns.

I have particularly in mind that the financial institutions have recently been telling us that they will not invest anywhere near a prospective Enterprise Zone until things are settled. Because of this blighting effect, it seems to me very important to put a quick end to uncertainty. I would hope therefore that we could



arrive at and announce a decision on the possible Deeside EZ, and the remaining Northern one, as quickly as possible - perhaps we could aim for the end of January. After that we ought to make it as clear as we can that unless there are unforeseen changes in circumstances we do not intend to establish any more.

I am sending copies of this to Geoffrey Howe, Keith Joseph, Jim Prior, Nicholas Edwards, George Younger, and Humphrey Atkins.

*Michael Heseltine*

*for* MICHAEL HESELTINE  
Approved by the Secretary  
of State and signed in his absence.

= 2 JAN 81



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

2 January 1981

The Rt. Hon. Humphrey Atkins MP.  
Secretary of State for Northern Ireland

2/1

*Dear Secretary of State*

BELFAST ENTERPRISE ZONE

*will require if required*

Thank you for your letter of 17 December setting out your proposals for extending the area included within the Belfast enterprise zone, which I shall be seeing on Tuesday.

As you know, my view is that the boundaries of the zones should, so far as possible, remain as described in the annex to the E Committee paper. Any proposal for extending the boundaries must therefore be considered very carefully and changes can only be justified where we are satisfied that these are in some way necessary if the zone concerned is to be successful. Hence I believe it is essential that officials of all interested Departments be made aware of any such proposals on particular zones in good time, so that the case can be properly assessed.

As you know, our officials have already discussed the proposed extensions to the area of the Belfast zone. I share my officials' misgivings about taking in a "satellite" area (along the north foreshore of Belfast Lough) which is not contiguous with the existing site; I am also a little unhappy at the inclusion of the Mackie's site in the area adjoining the existing site, which of course simply represents a windfall gain to the company from the rates exemption rather than any genuine extension of the developable land. Nevertheless, given the very special problems of Belfast, I can see the case for bringing the size of the zone up to the 500 acre mark referred to in E Committee and subsequent publicity, and I accept that the local geography of this inner city site requires a 'satellite' area in this unique case.

/One problem



One problem remains however, and that is over the size of the "satellite" zone. In discussions between officials, the North Foreshore site was put at about 100 acres, but in your letter of 17 December you propose one of 200 acres. I am not at all clear that the additional 100 acres, which I understand includes land owned by Belfast Harbour council, are necessary for the successful establishment of a Belfast enterprise zone, and I consequently have misgivings about exceeding the 500 acre benchmark.

I suggest that in the circumstances it would be best if you were to set out the case for this addition now proposed to the "satellite" and circulate it to members of E Committee for their views before the debate on 21 January. Or you may, on consideration, prefer to drop it. We must remember that the enterprise zones are experimental only, and we should not be too cavalier about accepting consequential losses of present and future rate revenue.

I am copying this letter to the recipients of yours.

*Yours sincerely*  
*Peter Jenkins*

*f* GEOFFREY HOWE

(Approved by the Chancellor and signed in his absence).



*Amendments* <sup>2</sup>  
*Req'd*  
*he has already asked*  
*but this be brought*

Treasury Chambers, Parliament Street, SW1P 3AG *forward for*  
01-233 3000 *collective consideration.*

PRIME MINISTER

*ms.* *17/12*

ENTERPRISE ZONES

I understand (although I have not seen any correspondence) that Nicholas Edwards, in the context of responding to a request by you to examine the possibilities of creating an enterprise zone on Deeside, suggested that a statement might be made in the course of debate yesterday to the effect that the Government are looking at the desirability of establishing zones in areas affected by steel industry redundancies. In the event no such statement was made.

2. I do have severe doubts about the desirability of any statement on those lines at present. I am sure that prior collective consideration is essential. My reasons for saying so are:

- (i) Enterprise zones are designed - very much on an experimental basis - to bring new life to areas of urban or industrial dereliction. We do not, I believe, want to use them more generally as instruments for planning employment-intensive investment. *?*

/(ii) They do,

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(ii) They do, of course, give rise to additional public expenditure or loss of Tax Revenue, and dilute the rating base for future years. Therefore a carefully controlled oversight of their numbers and location is essential. Rousing expectations which we may not think it right on reflection to fulfil could be damaging.

(iii) Other sectors suffering high unemployment could plead the same case as that arising from steel closures, and intensify pressures to take action on an ever-widening scale.

3. I very much hope therefore that a statement can be avoided.

4. I am sending copies of this minute to Keith Joseph, Michael Heseltine, Nicholas Edwards and George Younger.

*R. I. Folmer*

*for*  
(G.H.)

17 December 1980

*(approved by the Chancellor  
and signed in his absence)*



Regional Policy  
5/18



10 DOWNING STREET

From the Private Secretary

16 December 1980

The Prime Minister was grateful for your letter of 15 December with which you enclosed a short paper on the possibility of designating an enterprise zone for North East Wales. She has asked that this proposal should now be given further urgent consideration in consultation with the other principal Departments concerned.

I am sending copies of this letter to Ian Ellison (Department of Industry), David Edmonds (Department of the Environment), Richard Dykes (Department of Employment), Godfrey Robson (Scottish Office), Roy Harrington (Northern Ireland Office), John Wiggins (HM Treasury) and David Wright (Cabinet Office).

T. P. LANKESTER

John Craig, Esq.,  
Welsh Office

CONFIDENTIAL

SC

Prime Minister. ①

*[Handwritten signature]*

*Day Clerk*

WELSH OFFICE  
GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-233 3000 (Switchboard)  
01-233 6106 (Direct Line)

From The Secretary of State for Wales

Y SWYDDFA GYMREIG

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-233 3000 (Switsfwrdd)  
01-233 6106 (Llinell Union)

Oddi wrth Ysgrifennydd Gwladol Cymru



*Can we pursue this  
question further?  
not*

15 December 1980

*Dear Tim*

This is in response to your request this morning for a short paper setting out the options for an enterprise zone on Deeside and the pros and cons of designating a zone there. My Secretary of State very much favours the proposal.

In the time available we have not been able to consult all other interested departments. He cannot therefore comment on the more general implications of an additional designation at this time.

I am sending copies of this letter and the attached background paper to Ian Ellison, David Edmonds, Richard Dykes, Godfrey Robson, Robert Ramsey and John Wiggins.

*mb.*

*Your ever*  
*J F Craig*  
J F CRAIG  
Private Secretary

Tim Lankester Esq  
10 Downing Street  
LONDON SW1

## BACKGROUND NOTE

### ENTERPRISE ZONE FOR NORTH EAST WALES

The Shotton TTWA has at present an unemployment rate of about 15 per cent. The area is facing particular difficulties because of its dependence on the steel and textile industries. Developments in those industries are likely to increase the unemployment rate still further and to confirm the area as one of the unemployment black spots in Wales. (The rate for the County of Clwyd as a whole is also about 15 per cent and will increase still further, because of expected developments not only on Deeside but in the Wrexham area).

The Shotton area was considered as a possible candidate for EZ designation but at the time it was felt that preference should be given to the Lower Swansea Valley area in South Wales, mainly to take some of the edge off the decisions to downgrade the area. This was at a time when the Deeside area was being uprated to SDA status. Events in the Swansea area since then have proved the wisdom of this choice but there is no doubt that the Shotton area will require further support now if it is to cope with the severe and continuing problems it will now have to face. An EZ associated with the substantial new infrastructure and industrial developments in progress in the area would provide the boost the area needs and be seen as a substantial response to the increasing employment problems in textiles and steelmaking.

Of possible sites by far the best candidate is the Deeside Industrial Park which is next door to the Shotton plant. The site covers some 635 acres of which the WDA own 155 acres and BSC (Industry) the remainder. The first phases of development are 150 acres by the WDA for bespoke and advance factories and 150 acres by BSC (Industry) for serviced sites. A substantial factory programme amounting to  $\frac{1}{4}$ m sq ft is under construction and about 150,000 sq ft has already been completed and allocated.

The costs of an EZ would be relatively small; a good deal of the infrastructure is already under way and the rate relief would develop to any size only over a longish period as the factories are occupied. We cannot at this stage, unfortunately, give more precision to these estimates.

/A decision

A decision to site a second EZ in North East Wales would be widely welcomed, although as with other zones, there would be complaint from neighbouring areas, notably Wrexham, about the magnet effect of the new EZ. On the other hand a new zone in North East Wales together with the two zones now proposed for Speke and Trafford Park would establish a substantial and much needed power of attraction to this part of the country.

Based on our experience with Swansea the arrangements leading to the issue of an invitation could be completed fairly quickly. We already have the interest expressed by the County Council. To this would have to be added the co-operation of the district council involved (Alyn and Deeside) and though this might slow down the process a little it would not present a major hurdle.



Mr Ingham  
Mr Venetian

Regional Policy

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

11 December 1980

The Rt. Hon. Nicholas Edwards, MP.

R  
17/12

*Nicholas Edwards*

LOWER SWANSEA VALLEY: ENTERPRISE ZONE

Thank you for copying to me your letter of 3 December to Michael Heseltine on the Lower Swansea Valley enterprise zone. I am pleased to note that a firm announcement to designate the zone is imminent.

You will have seen my letter to George Younger on his proposals for the Clydeside zone. I expressed reservations there about the proposed extensions to the site which would add some 30 per cent to the area considered at E Committee. Though the proposed extensions in the case of the Swansea zone are more modest, I remain unhappy that piecemeal additions are being made to the size of the zones discussed at E Committee. I think you will agree that we should ensure that bids for extensions do not become a regular feature of negotiations on the remaining zones which should remain, so far as possible, as detailed in the E paper.

You will also have seen my letter to Michael Heseltine on the Salford/Trafford zone in which I expressed support for his flexible approach on the question of planning restrictions on retailing. I am pleased to see that you have agreed a planning regime with Swansea City Council which places restrictions only on very large retailing units. I hope that a similarly free regime on this question can be negotiated on the remaining enterprise zones. I recognise that the question of housing development on contaminated land raises difficult issues and I understand why you have felt it necessary to place restrictions on housing in this instance.

Finally I am encouraged by the speed and flexibility which Swansea City Council have shown in agreeing a planning regime for the enterprise zone. As you note in your letter, their positive response to the enterprise zone concept should ensure that they will not use the advantage of land ownership to frustrate the intended free and flexible planning regime.

/I am content



I am content with the proposed method of announcing the decision and the draft passage for the Prime Minister's speech. Copies of this letter go to the members of E Committee, George Younger and Humphrey Atkins.

GEOFFREY HOWE

A handwritten signature, likely "John", with a large flourish above it and a horizontal line below it.

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*Reginald R. Jones*  
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*Oddi wrth Ysgrifennydd Gwladol Cymru*

The Rt Hon Nicholas Edwards MP

*From The Secretary of State for Wales*

11 December 1980

*De Medd*

ENTERPRISE ZONE: LOWER SWANSEA VALLEY

Thank you for your letter of 10 December.

As I made clear in my earlier letter I certainly intend to make it explicit to Swansea that any frustration of the kind you fear by reason of Swansea's substantial ownership of land in the enterprise zone will not be acceptable to me. My officials will be writing to Swansea in that sense. I believe the best way forward, when I have told Swansea that I wish to see the agreed planning flexibility fully maintained, will be to exercise careful monitoring of the manner in which they develop the zone. I had it in mind to have a monitoring process in any case but the fear that Swansea or at least some of its officers might be tempted to use their land ownership in an inflexible way gives added point to the need for such monitoring.

I am sending copies of this to those who have had the earlier correspondence.

*with TL or PM*  
*R*  
*14/12*

*John Corrie*  
*Ned*

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

SF



2 MARSHAM STREET  
LONDON SW1P 3EB

My ref:H/PSO/19255/80

Your ref:

10 December 1980

*De lit*

ENTERPRISE ZONES: LOWER SWANSEA VALLEY

Thank you for your letter of 3 December.

The only point that concerns me is Swansea's ownership of - I believe - around 80% of the land in the Enterprise Zone. I understand that Swansea officers have been suggesting in public that they might use land ownership to control the type and quality of development, possibly in quite a detailed way. Clearly this could make a nonsense of the Enterprise Zone concept. You say that you will keep an eye on Swansea's performance on this but I wonder whether it will be possible to get an agreement from Swansea before the formal invitation is issued that they will not use land ownership to implement the sort of detailed planning controls which they have agreed to give up.

I am copying this as before.

*Yes*  
*MLI*

MICHAEL HESELTINE

The Rt Hon Nicholas Edwards MP





Regional Policy

*From the Secretary of State*

The Rt Hon Michael Heseltine MP  
Department of the Environment  
2 Marsham Street  
London SW1P 3ED

8. December 1980

R 9/12

Dear Michael

Thank you for sending me a copy of your letter of 3 December to Geoffrey Howe suggesting we should change the decision reached in E Committee that the only restrictions on retailing in Enterprise Zones should relate to hypermarkets.

I realise that out of town retailing is controversial and I am therefore content to go along with your proposal for flexibility provided that the lower limit in each case is set as high as possible and on the basis of an assessment of the real danger to existing facilities in each case. I would hope that the limit - below which planning permission is unnecessary - might be set nearer to the Swansea proposal (65,000 sq ft) rather than the suggested 15,000 sq ft for the NW wherever that is possible.

Copies of this letter go to the Prime Minister, to members of E Committee, to George Younger, Nicholas Edwards, Humphrey Atkins, Robin Ibbs and to Sir Robert Armstrong.

John Nott

John

JOHN NOTT



Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

8 December 1980

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

*TH*

*8/12*

*Dear Michael*

ENTERPRISE ZONES: SALFORD/TRAFFORD

Thank you for your letter of 3 December. I am pleased to note that we are now at the stage of issuing the first formal invitation to an English local authority to prepare an enterprise zone scheme.

I am disappointed that local authorities are seeking to place restrictions on retailing developments in the Enterprise Zones. I think you will agree that such restrictions are against the spirit of enterprise zones and I remain convinced that our aim should always be to negotiate with the local authorities as unrestrictive a planning regime as possible, both with regard to retailing and other commercial activities.

However I recognise that the need to agree a planning regime with the individual local authorities concerned does require us to pay due regard to their wishes in this matter. In the particular circumstances of the Salford/Trafford zone with its close proximity to other major shopping centres, I can therefore reluctantly accept the proposed limits on larger scale retailing.

I am however much encouraged by the flexible approach you propose to adopt on this question, in particular your intention to seek as great a degree of freedom for retailing as is practicable in local circumstances. This stance is very much within the spirit of the E Committee decision and will I hope enable us to negotiate less restrictive conditions on retailing in the other Enterprise Zones.

I am copying this letter to the recipients of yours.

*G*  
*Howe*

GEOFFREY HOWE

*Regional*

RESTRICTED



File  
 cc: SO Ch. Sec. HMT  
 NIO CO  
 HO WO  
 FCO GCWO  
 HMT  
 D/I  
 LPO  
 EMP  
 MAFF  
 TRADE  
 En.  
 4 December 1980

TMP

*Regional. Pol.*

10 DOWNING STREET

From the Private Secretary

*Dear Jim.*

LOWER SWANSEA VALLEY: ENTERPRISE ZONE

We had a word about your Secretary of State's letter of 3 December, which I have now shown the Prime Minister. Provided other Ministers are content with the proposal to designate the Lower Swansea Valley as an enterprise zone, she would like to announce this in her speech at the Wales CBI dinner in Cardiff next Thursday. Perhaps you would consider whether there will need to be a Written Answer as well, and if so when.

I would be grateful if you could let me have a draft paragraph for inclusion in the Prime Minister's speech.

I am sending a copy of this letter to Private Secretaries to Members of E Committee and to Godfrey Robson (Scottish Office), Roy Harrington (Northern Ireland Office) and David Wright (Cabinet Office).

*~ ~*

*The letter.*

J.F. Craig, Esq.,  
Welsh Office.

*BK*

*Mr Ingham*  
*Mr Verker*

*Am I wish*  
~~Am I wish~~  
~~Contract, you can refer~~  
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From The Secretary of State for Wales

Oddi wrth Ysgrifennydd Gwladol Cymru The Rt Hon Nicholas Edwards MP

3 December 1980

*D. Medford*

*Am I wish*

*I have suggested that you should announce this in Cardiff next week; there can be a written answer at the same time.*

LOWER SWANSEA VALLEY: ENTERPRISE ZONE

Following the Prime Minister's announcement on 29 July of the sites being given further consideration for enterprise zone designation, I arranged for detailed discussions with Swansea City Council and West Glamorgan County Council which concentrated on the boundaries of the zone, the planning scheme and the administrative arrangements. As a result I now have proposals before me which I have concluded justify a firm announcement to designate the Lower Swansea Valley as an Enterprise Zone and an early invitation to Swansea City Council under Schedule 28 of the Local Government (Planning and Land) Act 1980.

My officials have kept yours in touch on the details. Let me however emphasise one or two aspects. First Swansea City Council have gone a long way in liberalising the planning requirements despite initial misgivings. The annex to this letter gives a summary guide. In particular they are ready to agree that individual retail units of up to 65,000 sq ft should be allowed throughout the zone. To date very few units of this size have been built anywhere in Wales and I believe that the size limit proposed is realistic given the potential catchment area for retailing in the Lower Swansea Valley. I note that other zones are having difficulties on retailing. Perhaps Swansea can be regarded as in the lead on this aspect whereas in others they might not quite follow suit.

For example I have considered with them whether housing development should be covered by the planning scheme and concluded that it should not. There is in fact ample land for housing in North and East Swansea to meet demand and it is highly unlikely that anyone would want, in preference, to build or buy houses in the enterprise zone. But what weighed most with me was the level of contamination in most of the area - a heavy concentration of toxic metal wastes produced by the continuous smelting of metal ores over a long period of time. While proper site surfacing and precautions to protect building foundations mean that the area is suitable for industrial and commercial development - this is the heart of the enterprise zone concept - I believe it would be damaging to the success of the scheme if we took provision for housing (with gardens and the like) against all environmental advice.

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

/Second

DEC 1980

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Second, on site boundaries, the zone as now proposed covers 735 acres of which 150 acres are not capable of development and some 350 acres are available for development. The balance is land already developed to varying extents for industry and commerce. The initial rate concession would be just over £0.5m. The small increase in size over the 650 acre site previously identified is explained by the inclusion of two sites where the traditional commercial activity has recently ceased - the larger site is that of BSC's Landore works - and there is scope for worthwhile development given the EZ incentives. And I have also added a site of some 40 acres whose main advantage is a recently completed speculative development of ten small factory/warehouse units.

The size of the zone and the rate relief is in line I believe with what is envisaged for a number of the other enterprise zones.

Third I should point out that the City Council already own a substantial part of the zone. This carries the real advantage of permitting an early start to positive development but of course there could be a danger if the City Council were to be tempted to use their land ownership to exercise detailed control of developments and so frustrate the intended ease and flexibility of the planning scheme. I intend to leave the Council in no doubt about the good sense of sticking to the planning scheme and I will monitor progress carefully.

I propose to announce the decisions by means of a Written Parliamentary Answer early in the week of 8 December. \* If there are any additional points you would like to see made, perhaps you would let me know.

/ Copies of this letter go to members of E Committee, to George Younger, Humphrey Atkins and Sir Robert Armstrong.

*J. A.*

Neil

\* ps. This will involve the Prime Minister  
to refer to him in the Carlton  
Special on the 11th A.

DEC 1980

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*Regional Policy*

2 MARSHAM STREET  
LONDON SW1P 3EB

*MBM yet*

My ref:

Your ref:

3 December 1980

*R*

*Y. 12*

*Dear Charles*

We are now almost ready to issue the first formal invitation to a local authority in England to prepare an Enterprise Zone scheme. We have a formal submission from Salford and one from Trafford is expected at any time. There is one outstanding issue of which I should inform colleagues. E Committee agreed that, where circumstances clearly justify it, planning applications should continue to be needed for hypermarkets, but that otherwise there should not be restrictions on retailing.

Since then, we have had much more detailed discussions with local authorities, and had a number of responses from various interests. We have also been able to consider the practical implications, including the possibility of evasion, of treating the retail aspects as at first proposed. Retailing has proved to be by far the most controversial aspect of the Enterprise Zone proposals: a number of attempts were made to build statutory restrictions into the legislation in the Lords. We have concluded that it is necessary to treat the circumstances of each Enterprise Zone on its merits, and to seek to negotiate as great a degree of freedom for retailing as is practicable in the local circumstances. In the case of the proposed Zone in Salford and Trafford I believe that the furthest we can go is to include in the scheme freedom to develop, without further specific planning permission, single units of up to 16,000 sq ft each. We have considered various possibilities including lower limits such as the 65,000 sq ft which, I understand, Nicholas Edwards is proposing for Swansea; but our conclusion is, that given the potential demand for shopping in the Manchester conurbation and the proximity of a number of major shopping centres, a relaxation on this scale could prove a real danger.

The effect will, of course, not be to prohibit larger shopping developments, or even hypermarkets; merely to require that they should go to the ordinary planning processes including, if necessary, call-in. The local authorities will be expediting their procedures for dealing with those developments in enterprise zones which will continue to require planning permission.

Because I am anxious to proceed to the invitation stage as quickly as possible I would be grateful if you, and those to whom I am copying this letter, would let me have reactions, if any, by next Friday 5 December.

Copies of this letter go to the Prime Minister, to members of E Committee, to George Younger, Nicholas Edwards, Humphrey Atkins, Robin Ibbs and to Sir Robert Armstrong.

Yours sincerely

J. Jones

p. 8

MICHAEL HESELTINE

Approved by the Secretary of State  
and agreed - in essence.

CONFIDENTIAL



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Oddi wrth Ysgrifennydd Gwladol Cymru

Regional  
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From The Secretary of State for Wales

28 October 1980

Dear Private Secretary,

R  
37m

My Secretary of State has seen Jeff Jacobs' letter of 24 October about the choice of enterprise zone sites in the Midlands.

My Secretary of State has no objections to the choice of sites or to an announcement being made during tomorrow's debate.

He suggested that it would be helpful if tomorrow's announcement is set in the wider context of the situation on EZ proposals generally already announced by the Prime Minister in July - so as to avoid any possible confusion about progress on EZ designations individually. So far as the EZ proposals for Wales (in the Lower Swansea Valley) are concerned, considerable progress has already been made with the local authority and he hopes that once one or two remaining problems are ironed out, it will be possible to make an early designation of the area.

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

LEIGHTON DAVIES  
Private Office

Private Secretary to  
Chancellor of the Exchequer  
Treasury  
Parliament Street  
LONDON





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

28th October 1980

J. Jacobs Esq.  
Private Secretary  
Department of the Environment

*W. H. Ingham*

*MSM*

Dear Jeff,

*TL*

*28/10*

Thank you for your letter of 24 October seeking the Chancellor's agreement to the announcement of two new sites for enterprise zones in the Midlands: one in Dudley, the other in Corby.

The Chancellor welcomes this proposal. Not only does the cost of the rating concession and the provision of the necessary infrastructure compare favourably with that of the Bilston site originally endorsed by E Committee, but the location of these two sites in depressed areas of the Midlands may make a valuation contribution towards dealing with the difficulties that are being faced there.

The Chancellor is grateful for your Secretary of State's invitation to announce these two sites in the unemployment debate on Wednesday. It is an offer he gladly accepts.

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

Yours etc,

*Richard Tolkien*

R.I. TOLKIEN  
Private Secretary

CONFIDENTIAL



file

MS

cc: SO HMT  
 WO FCO  
 NIO HO  
 CPRS Ch. Sec. HMT  
 PMG CO  
 D/T  
 MAFF bcc: B Ingham  
 D/EM  
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10 DOWNING STREET

From the Private Secretary

27 October 1980

*Dr. T.M.*

The Prime Minister has read your letter of 24 October on Enterprise Zones. She is content with your Secretary of State's choice of Dudley and Corby as additional Zones, and that - if he wishes - the Chancellor should announce this in the unemployment debate on Wednesday.

I am sending copies of this letter to the Private Secretaries to members of E Committee, the Chancellor of the Exchequer, Secretaries of State for Scotland, Wales and Northern Ireland, Robin Ibbs, Sir Robert Armstrong and also to the Paymaster General.

*[Handwritten flourish]*

*T.M.*

Jeff Jacobs Esq  
 Department of the Environment.

CONFIDENTIAL

BK



CONFIDENTIAL

2 MARSHAM STREET  
LONDON SW1P 3EB

~~cc Mr Lyell  
Mr Wilson~~

Dear John

Prime Minister  
Mr Heseltine now  
proposes Dudley and  
Corby (instead of  
Wolverhampton and Stoke).  
This seems quite a  
sensible choice. Content?

My ref:

Your ref:

24 October 1980

Yes not

In his absence from the office today my Secretary of State has asked me to write to you urgently about the current state of play on Enterprise Zones.

We have made substantial progress in negotiating with local authorities the detailed arrangements to apply in the zones announced by the Prime Minister on 29 July. My Secretary of State is now ready to propose a further announcement.

He has already announced that one zone would be in the Midlands and the other, probably, in the North.

We are still discussing the bids from the North with the various local authorities and it will be a few weeks before my Secretary of State can make a decision, because none is without its difficulties. He has now considered, however, the main candidates in the Midlands - principally Wolverhampton (Bilston); Stoke (Shelton), and Dudley in the West Midlands, and Corby in the East Midlands. My Secretary of State had to advise the Prime Minister to withdraw Wolverhampton from the July announcement because of their refusal to co-operate with us in restraining expenditure. Neither they nor Stoke have been able to satisfy him on this. Stoke are meeting officials here on Monday, and we have just received a letter from Wolverhampton. Unless new factors emerge from this - and we shall know by Monday - my Secretary of State believes that both these sites must be ruled out. He has concluded that, instead of one large zone in the Midlands we should nominate two smaller ones, Dudley and Corby. This would have the advantage of helping both the West Midlands conurbation - which he regards as essential - and a town depressed through steel closure with an unemployment rate of about 18%. The two sites are smaller and have very low levels of existing rates: the two combined are some £0.6m compared with the £2m for the Bilston site which was approved by E Committee before we had to withdraw it.

My Secretary of State has been impressed by the members and officers he has met who will be dealing with each of the two sites, and by their attitude to attracting development. In addition, we have a site in each of the Midlands regions. They contrast in ways which will be useful in assessing the effects of the policy under varying circumstances. Dudley is a typically constricted black country site with topographical difficulties which are offset, in the developers' mind, by a fairly lively demand for development. Corby has a flat well serviced site with about 250 acres of developable land but there is, of course, far less local activity.

Provided the Chancellor and other Ministerial colleagues are content

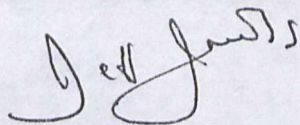
Chancellor

with this proposal my Secretary of State believes that ~~the~~ may find it helpful to announce these new sites in his speech on the unemployment debate next Wednesday. Otherwise we could save the announcement for another suitable occasion in the near future.

I would be grateful therefore if you and those to whom I am copying this letter would let me have reactions, if any, by next Tuesday mid-day.

Copies of this letter go to No 10, to members of E Committee, to the offices of George Younger, Nicholas Edwards, Humphrey Atkins, Robin Ibbs and to Sir Robert Armstrong.

Yours sincerely



J JACOBS  
Private Secretary

John Wiggins Esq  
Private Secretary to  
Rt Hon Sir Geoffrey Howe MP

**OPTIONS**

**IN THE**

**MIDLANDS**

**ATTRACTIVENESS TO PRIVATE SECTOR**

**SITE**

**CONSTRAINTS ON DEVELOPMENT**

**PUBLIC SECTOR COST**

**LOCAL AUTHORITY PROPOSALS FOR PLANNING RESTRICTIONS**

**LOCAL AUTHORITY PROPOSALS FOR ADMIN ARRANGEMENTS**

**DUDLEY:** 410 acres, in an area of varied topography suffering from industrial and mining dereliction, 140 acres available for development. Unemployment 8.9%.

**TELFORD:** 310 acres largely green-field site already serviced and awaiting industrial development. Unemployment 13.7% which may be worsened with further redundancies at GKN.

**BILSTON, WOLVERHAMPTON:** 550 acres based on derelict BSC site; up to 250 acres available for development + 500,000 sq ft vacant factory space. Unemployment 11.2%. A programme authority

1. Cost of land reclamation, servicing and foundation works.
2. Requirement for major new sewer.

1. Limited reclamation work on small part of site.

Works needed to improve drainage and road access; and for reclamation.

1. Rates £0.6m p.a.
2. Roads £0.25m
3. Dudley claim all costs including sewer to be met by private sector

1. Rates £0.1m p.a.
2. Most infrastructure works complete

- Rates: £2.0m p.a.
- 1) Highways: additional cost £0.53m
  - 2) Drainage: £3.0m programmed, but not yet all firmly committed.
  - 3) Reclamation works left to private sector

Restrictions on large scale food and clothing retailing.

Restrictions on size of retail developments

Restrictions on retailing of food and clothing.

Delegation of most decisions to single officer otherwise to small sub-committee. Decisions to be made within 2 weeks.

1. Full delegation within Development Corporation to two officers for planning matters.
2. Extensive delegated powers already exist within District Council for determining building regulation approvals.

Full delegation to 3-man committee. 14 day time limit on decisions

Uncertainty whether incentives will be sufficient to counter high site preparation costs

Uncertainty about attracting investment given Telford's location and poor communications.

Would help to meet a shortage of land for development

SITE	CONSTRAINTS ON DEVELOPMENT	PUBLIC SECTOR COST	LOCAL AUTHORITY PROPOSALS FOR PLANNING RESTRICTIONS	LOCAL AUTHORITY PROPOSALS FOR ADMIN ARRANGEMENTS	ATTRACTIVENESS TO PRIVATE SECTOR
<p>CORBY: 245 acres of developable land and unlet advance factories owned by CNT. Unemployment 18.0%. Development area.</p>	<p>140 acres reclaimed land which may impose additional foundation costs.</p>	<p>1. Rate cost negligible. 2. Infrastructure works already complete or committed.</p>	<p>No significant restrictions - even on hypermarkets.</p>	<p>All applications will be considered within 2 weeks.</p>	<p>Size and location of Corby limits potential for EZ generated growth.</p>
<p>STOKE: 475 acres based on the disused Shelton steelworks - 240 acres available for development. Unemployment 8.1%.</p>	<p>Works required to reclaim land and for highway and service infrastructure.</p>	<p>1. Rates £0.53m p.a. 2. Highway works necessary £0.31m. 3. Water - £0.27m programmed but not yet committed. 4. Gas - £0.27m for provision of mains.</p>	<p>Restrictions on housing and retailing except bulk items. Design and use controls along extensive boundary abutting main road corridors and housing.</p>	<p>Extensive delegated powers. 3-week time limit on approvals.</p>	<p>Good road/rail access. Would be to meet shortage land for development.</p>

cc Mr Ingrid

Regional PSN



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Oddi wrth Ysgrifennydd Gwladol Cymru The Rt Hon Nicholas Edwards MP

From The Secretary of State for Wales

16 September 1980

*Dear Geoff*

ENTERPRISE ZONES: PROVISIONS RELATING TO INDUSTRIAL TRAINING BOARDS

*16/9*

Jim Prior copied to me his letter proposing that establishments within enterprise zones should not be exempt completely from the scope of Industrial Training Boards.

The proposals put forward by MSC seem sensible and as they embody the original intention to exempt the firms from the levy and from the requirement to furnish information to Boards I am inclined to support them.

I am sending copies of this letter to the members of E Committee, George Younger, Humphrey Atkins, Sir Robert Armstrong and Robin Ibbs.

*Neil*

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
Treasury  
Great George Street  
LONDON SW1

RESTRICTED

cc Mr Enguid



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

*R. J. G.*

31 July 1980

*John G. G. G.*

ENTERPRISE ZONES - PROVISIONS RELATING TO INDUSTRIAL TRAINING BOARDS

As you know, we have proposed that establishments in Enterprise Zones should be excluded from the scope of Industrial Training Boards (ITBs) with the result that firms would not be required to pay levy or to furnish information to the Boards in respect of them. As foreshadowed in my letter to you of 11 March I have consulted the Manpower Services Commission (MSC) about this (and they in turn have consulted the ITBs), and I am writing to suggest that in the light of what they have said our proposal should be amended.

The thinking behind our published proposal was given in my letter to you of 5 February. I then recognised that if establishments in Enterprise Zones were taken out of scope they could not be eligible for any ITB grant, but thought that this was outweighed by the advantage of avoiding pressure to compensate ITBs for loss of revenue in the same way as local authorities are to be compensated for loss of rate income. The MSC have now suggested that, instead, establishments in Enterprise Zones should not be excluded from the scope of ITBs, but that legislation could provide that they should not be liable to levy or have to furnish any information to a Board.

The main advantage of this would be that MSC grants which are available to firms through Boards would continue to be available to them in this way in respect of establishments in the zones, and in addition some boards might be willing to make some grants available to establishments in Enterprise Zones out of their levy income. However it is unlikely that the MSC would be prepared, out of their existing resources, to pay the cost of paying as many grants to establishments in Enterprise Zones as they would receive if they were levy payers. I think this is reasonable, as there must be a limit to the extent to which we are prepared positively to favour firms in Enterprise Zones as distinct from removing burdens on them.

The CBI in their comments on our proposals suggested that instead establishments in Enterprise Zones should be able to opt out of the ITB system. Obviously firms which expected to be net levy payers would probably do this, and this might lead to the suggestion that



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ITBs might be compensated for loss of levy income whereas this would be unlikely in the case of the MSC proposal. In addition the MSC proposal would be easier to administer than that of the CBI, and CBI officials have indicated to me that they accept that the MSC proposal is consistent with basic CBI thinking, and ought to be acceptable to them for that reason. If you agree therefore I propose to write to the Commission agreeing to what they suggest. I would then announce our decision in reply to an arranged question.

On legislation I am assuming that the provisions relating to ITBs and Enterprise Zones will be included in the Employment and Training Bill which is in the main programme for the next session. However we cannot make a public commitment on this, as our public position is that the need for legislation will depend on our consideration of the MSC review of our industrial training arrangements.

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

*Y  
Lew  
T  
m.*



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

*Reg. P. O. H. A. I. N.*

*28* July 1980

Tim Lankester Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW1

*12*  
*377*

*Dear Tim,*

The Parliamentary Under Secretary of State in this Department, Mr Mitchell, recently visited Sheffield to meet local businessmen.

2 During the course of his visit he was shown the proposed site of the enterprise zone which he reports is a vast acreage from the edge of the city running right into its heart and largely derelict. A problem is likely to arise because within the proposed site, Lonrho Hadfield Steels and Brown Bailey have their major factories, whilst Firth Brown, in a similar specialist steel operation is outside. There is considerable opposition from the Chamber of Commerce and local conservatives to giving the Lonrho companies a substantial artificial competitive advantage over Firth Brown and other specialist steel producers in other parts of the city. Mr Mitchell reports that by contrast, the AUEW is anxious to see the Lonrho companies included because they reckon it will benefit their members and this may have been a factor in the City Council's support for the proposal.

3 My Secretary of State asks me to pass these comments on to you because the Prime Minister may find it helpful to have background briefing on this topic for the Censure Debate.

4 I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer and the Secretary of State for the Environment.

*Yours ever,*  
*Pete*

PETER STREDDER  
Private Secretary

LH



RESTRICTED

Regional  
Blaney

2 MARSHAM STREET  
LONDON SW1P 3EB

My ref:

Your ref:

(R)

28 July 1980  
2077

Dear Tim

On Friday I sent you some paragraphs for inclusion in the Prime Minister's speech tomorrow on the Enterprise Zone announcement.

My Secretary of State has given further thought to this over the weekend. He believes that the Prime Minister could be exposed to significant criticism if no mention is made in the announcement of the possibility of a Zone in the Midlands. He therefore proposes that the announcement should take account of this by including in line 3 of the penultimate paragraph a sentence after 'Zones' as follows "One of these will be in the Midlands".

I am copying this to the Private Secretaries to members of E Committee, to the Secretary of State for Scotland, Wales and Northern Ireland, and to Sir Robert Armstrong.

Yours sincerely  
J JACOBS

J JACOBS  
Private Secretary

Tim Lankester Esq



SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

Tim Lankester Esq  
Private Secretary  
No 10 Downing Street  
LONDON SW1

12 247  
28 July 1980

Dear Tim,

ENTERPRISE ZONES

Jeff Jacobs has already let you have a contribution for the Prime Minister's speech tomorrow, covering the announcement of Enterprise Zones.

I attach a note on the proposed Scottish EZ at Clydebank: it may be useful to have this by you simply as background information.

We will be keeping in touch tomorrow to ensure that the Prime Minister does indeed make the announcement, so that we can follow up with a more detailed Scottish Press Statement.

Yours ever,

GODFREY ROBSON  
Private Secretary

## SCOTTISH ENTERPRISE ZONE: CLYDEBANK

### The site

1. The Scottish Enterprise Zone (EZ) is to be at Clydebank. The proposed site covers an area of 575 acres, including the 87 acre site formerly owned by Singers, and recently bought by the SDA. The zone extends about three miles along the Clyde River front, and a small part in the East is in Glasgow District. Although initially only the Singers site was envisaged as an EZ, the larger area will allow greater scope for immediate redevelopment, and takes account of the views expressed by Clydebank and Glasgow District Councils and the Scottish Development Agency.
2. The principal sites excluded from the proposed zone are, firstly, the Clydebank Town Centre, with its successful new regional shopping centre (currently being extended), and secondly the John Brown Engineering and neighbouring UIE (formerly Marathon) Shipyards, which have received substantial public funds in the past and whose subsidy by means of EZ status would be bitterly resented by UK competitors (such as Redpath de Groot). The details of the zone boundary will not be finally settled until after further discussions with the appropriate authorities.

### Local employment

3. Clydebank has recently suffered a number of major industrial closures, including most notably that of the Singers factory, where 3,000 people were employed at the time of the closure announcement. Altogether some 6,400 jobs have been lost in Clydebank since January 1979. (No unemployment rate can be quoted for Clydebank itself as it is part of the Glasgow Travel to Work Area.) The whole of Clydeside has special development area status. In response to Clydebank's situation the SDA have already established a special Task Force for the town.

### Infrastructure

4. The major sites in the zone are already well or partially serviced, and the SDA expect to spend about £5 million redeveloping the Singers site over the next three years. The opportunities for early development are therefore good.

### Local authorities' attitudes

5. Clydebank District Council are desperately keen to have an Enterprise Zone, and have given firm assurances about quick decision taking. They already operate extensive delegation to officials. Glasgow District have pressed for any Clydebank EZ to extend into the western extremities of the city, and the proposed site meets most of their proposals (but does not include the former Goodyear factory in Drumchapel). Glasgow District officials do not anticipate any difficulties establishing expeditious administrative arrangements.

### Restrictions on development

6. The only issue on which the local authorities have expressed strong views is the question of hypermarkets. The Scottish Office agree that it would be wrong to allow a large scale retail development on the Singers site, and will accept a restriction to this effect. Clydebank Town Centre should, however, be able to withstand competition from elsewhere in the zone because of its prime location.

Cost

7. Infrastructure costs not already programmed are unlikely to exceed £1 million, spread over perhaps two or three years. The initial cost of the rating exemption is estimated to be about £1.5 million.

Scottish Office



Enterprise Zones.

2 MARSHAM STREET  
LONDON SW1P 3EB

*Prime Minister*

My ref:

Your ref:

*Background note*

25 July 1980

*at Flag A, explaining again why  
White Paper is to come out.*

*Dear Tim*

CENSURE DEBATE: ANNOUNCEMENT OF ENTERPRISE ZONES

I attach a draft contribution for the PM's speech in the Censure Debate. It has been approved by my Secretary of State, and cleared at official level with Treasury, the Departments of Industry and Employment, and by the Scots, Welsh and Northern Ireland Offices.

We attach particular importance to the passage that spells out that designation of Enterprise Zones is conditional upon the local authority agreeing to a fully relaxed planning regime and to special administrative arrangements to give quick decisions. Without this emphasis it may be difficult to persuade the local authorities concerned to deliver these essential elements of the package.

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

*Yours sincerely*  
*J. H. Jacobs*

J JACOBS  
Private Secretary

Tim Lankester Esq  
10 Downing St SW1

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PRIME MINISTER

ENTERPRISE ZONES: ANNOUNCEMENT

We agreed at E Committee on Tuesday on the names of the Enterprise Zones, which you wanted to announce during next week's Censure Debate; and I had a word with you this morning about my concern, notwithstanding E Committee's decision, about including in the announcement the name of Wolverhampton.

I explained to you why I thought that we should not include Wolverhampton in your announcement. This is because Wolverhampton, certainly in their public posture, are now amongst the leaders of those opposing our call for revised budgets to bring local government back on course. Our information about this will not be complete until we are into August so it is impossible to be certain about the facts; but the signs are that the other Enterprise Zone authorities in England will at least have made some effort to meet our requests. Certainly none of them (except Tower Hamlets which is set apart by the decision to make the UDC the Enterprise Zone authority) are leaders in public defiance. There is a risk here, especially since it would be extremely difficult to drop from the list, on these grounds, a site once announced. But I recommend that your announcement should include - so far as England is concerned - the sites in

Gateshead and Newcastle  
Salford and Trafford  
Liverpool  
Tower Hamlets (Isle of Dogs)

but not Wolverhampton. The announcement would make it absolutely clear that final designation was still a matter of our satisfying ourselves that the authorities would work in satisfactory co-operation with us through the planning regime and effective administrative arrangements.

I was asked by E Committee to bring forward another site, to replace Wandsworth. I am looking urgently at possibilities, but will not be able to make a recommendation in time for an immediate announcement. This would in any case mean some revision of our decision to make it clear that there would be no more sites



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established until these had been in operation for at least a year. We shall have to leave open the possibility of a second announcement a little later on. I will suggest the limited terms in which this should be stated when you make your announcement. I do not rule out the possibility of including Wolverhampton then; but to announce their name in the present state of our discussions with local government in the face of their present attitude would not be tolerable.

There may be implications for Scotland and Wales which Nicholas Edwards and George Younger may wish to consider. I am copying this to members of E Committee and Sir Robert Armstrong.

*MH*

MH

23 July 1980

  
CONFIDENTIAL

*Raymond Bury*

Ref. A02685

PRIME MINISTER  

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Enterprise Zones

(E(80) 72)

BACKGROUND

The Secretary of State for the Environment proposes the six sites for enterprise zones in England listed in his paragraph 4. There will be three further sites at Clydeside, Belfast and the Lower Swansea Valley; and the Secretary of State for Wales gave details of the latter in his letter of 18th July to you.

2. The Secretary of State for the Environment's proposals for announcing these decisions are in his paragraph 13. He would announce in a Written Answer before the Recess the decisions on Salford/Trafford, Bilston and the Isle of Dogs. Pending further discussions with the local authorities concerned, he would indicate that the Government were considering the possibilities of further sites in Newcastle and Gateshead, Liverpool (Speke) and Wandsworth.

3. He recommends that the enterprise zone authority for the Isle of Dogs should be the Docklands UDC rather than Tower Hamlets.

4. Some local authorities have complained about the possibility of "unfair" competition in retailing from hypermarkets. The Secretary of State proposes to deal with this by accepting, reluctantly, that planning applications would continue to be needed for hypermarkets (his paragraph 9).

5. His paper is not precise about costs and public expenditure implications (see his paragraphs 6 and 7). The Government would have to make good to the local authorities the costs of the rating concession; and this would be up to £11 million a year initially for the six English sites but rising in later years. It is also thought that if private developers are to move in the Government would first have to improve the road systems and the services, such as sewerage, on the sites. To some extent there is provision for this in existing plans. But

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the Secretary of State warns that for some sites this provision may not be sufficient, particularly as programmes come under pressure. The Annex to his paper shows that the sites at Newcastle/Gateshead and the Isle of Dogs are potentially expensive. The Secretary of State for Wales in his letter of 18th July similarly warns that there is an issue over additional funding in Wales.

HANDLING

6. After the Secretary of State for the Environment has introduced his paper you might invite the Secretary of State for Scotland, the Minister of State, Northern Ireland Office and the Parliamentary Secretary, Welsh Office to say whether there are any particular problems over their three sites. The Chancellor of the Exchequer could then comment on the public expenditure implications; the Secretary of State for Employment on the choice of sites in relation to regional unemployment prospects; the Secretary of State for Industry on their acceptability in relation to other regional measures; and the Minister of Transport on the implications for his responsibilities both for roads and for the docklands. The Secretary of State for Trade may point out that nothing is proposed for the South West of England.

7. In discussion you will wish to approve the main sites to be designated and also to clarify the public expenditure implications. It should not be necessary to enter into discussion of the problems of each of the sites.

CONCLUSIONS

8. In the light of the discussion you will wish to record conclusions on:-
- (i) the sites for England with reference to the list in paragraph 4 of the paper;
  - (ii) any points on the proposed sites in Scotland, Northern Ireland and Wales;
  - (iii) whether all the expenditure is to be accommodated within existing programmes;
  - (iv) whether the Docklands UDC, rather than Tower Hamlets, should be the authority for the Isle of Dogs;
  - (v) whether planning controls should be continued, where necessary, for hypermarkets;

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(vi) the arrangements for announcing the decisions, as proposed in paragraph 13 of E(80) 72, and to invite the Secretary of State for the Environment to clear the terms of his announcement with colleagues and to co-ordinate on timing with the separate announcements on the sites in Scotland, Northern Ireland and Wales.

REA

(Robert Armstrong)

21st July, 1980

CONFIDENTIAL

yk A Duguid

E FM



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From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

CONFIDENTIAL

18 July 1980

ms.

De Prime Minister

ENTERPRISE ZONES

Michael Heseltine is circulating a paper for discussion by E Committee next Tuesday setting out proposals for the sites to be designated as enterprise zones in England. I thought it would be helpful if, in advance of the discussion, I were to indicate my preferred choice of site for designation in Wales.

I propose to designate a site in the Lower Swansea Valley. It covers a total area of 650 acres (excluding an undevelopable area of marshland, main roads and railways, 500 acres net) comprising reclaimed derelict land, derelict land, a rundown greenfield site and some occupied industrial sites. In total 332 acres are available for development and 168 acres are already developed.

The site has excellent road and rail communications and easy access to Swansea Docks. Further derelict land reclamation work is needed. The main servicing requirement concerns the provision of a trunk sewer and improved flood protection. Additional funds will be needed and no doubt this general issue will be discussed when we meet. Excluding funds committed in existing programmes the additional public sector costs necessary to develop the site are estimated at at least £1.6m and could be as much as £3.9m. This will depend on

/how far

The Prime Minister  
10 Downing Street  
London SW1



how far the remaining derelict land reclamation work and estate roads can be paid for by private developers. The rating concession will cost £445,000 in the first year.

There have been a number of encouraging indications of private sector interest in the site and I am satisfied that there are reasonable prospects for its development.

The local authorities, particularly Swansea City Council, are keen. However they are not so far prepared to accept a fully relaxed planning regime. Particular proposals are the exclusion of food retailing and the limitation of non-food retailing to a small part of the site. Approximately 750,000 sq ft of new retailing floor space has been constructed (or is firmly planned) since 1974 in the residential and commercial districts adjoining the enterprise zone. The local authorities take the view that opening up the EZ to retailing would undermine this investment and the associated employment. The other general limitation proposed is to restrict development of the northern part of the site to projects requiring a site of 20 acres or more or to projects making a significant contribution to employment in the area.

The City Council's proposals also contain a considerable number of detailed limitations on deemed planning consent. These include site coverage; height of buildings; construction materials; distance from public roads; screening of storage areas; standards for access; parking and loading areas; discharge of sulphur compounds; noise levels at site boundaries.

I am prepared to accept the limitations on retailing as justified in the circumstances but I propose to make designation subject to further consideration of the limitations on the use of land north of A48 and to a significant reduction in the detailed limitations on deemed planning consent.

/ Copies of this letter go to Members of E Committee and to George Younger and Humphrey Atkins.

*J. [unclear]*  
*Neil*



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

*Regional  
Dist*

From the Minister

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

*Ru1)*

// July 1980

*M Heseltine*

*pt 2*

I was interested in Keith's suggestion, in his letter to you of 26 June, that the Team Valley Estate should be considered for designation as an Enterprise Zone.

The basic idea is attractive, especially if no more land is to be taken for development than is already earmarked for the existing Estate. If up-grading to Enterprise Zone status requires more land (particularly if higher grade agricultural land) I would need to examine the proposal in detail. As you are aware, our objective throughout this exercise has been to exclude green field sites from consideration.

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

*Peter Walker*

PETER WALKER

Y SWYDDFA GYMREIG

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*Oddi wrth Ysgrifennydd Gwladol Cymru*



The Rt Hon Nicholas Edwards MP

*Regional Pol. PPS*

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Tel. 01-233 3000 (Switchboard)  
01-233 6106 (Direct Line)

*From The Secretary of State for Wales*

9 July 1980

*De Michael*

*R*

*9/7*

I have seen Keith Joseph's letter of <sup>1942</sup> 26 June to you about enterprise zones in Tyneside.

It would not be appropriate for me to comment on the sites themselves; but I do share Keith's anxiety about the possibility that the institutions may shy away from joint ventures. The Welsh Development Agency are about to enter a very similar agreement to the Team Valley deal with a different institution (and not within striking distance of any proposed enterprise zone), thanks largely to Keith's advisers; we badly need more such deals in Wales, and we are looking to these two deals to set the lead which will encourage others to come in with us. It would be a tremendous setback if Legal and General pulled out of their agreement with EIEC and thus eroded the basis of confidence and trust that is needed if there are to be more joint ventures for factory development in the assisted areas.

/I do

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





I do not know what the solution may be, but I do hope that it will be possible to find one which does not rock the boat.

/ I am sending a copy of this letter to Keith Joseph and to the others who received his.

*J. er*

*Neil*

-9 JUL 1980



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*Reponded Pol*

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The Rt Hon Nicholas Edwards MP *From The Secretary of State for Wales*

7 July 1980

*R  
917*

*De George*

#### ENTERPRISE ZONES

You copied to me your letter to Michael Heseltine seeking agreement to the announcement of Clydebank as the Scottish enterprise zone during the course of the Scottish Grand Committee debate on 8 July.

I appreciate your wish to be seen to be making a positive response to the economic problems of Clydebank but I am afraid I see difficulties about an early announcement. The main one is the fact that we have had no collective discussion of our policy for enterprise zones since Geoffrey Howe's announcement on 26 March. Before we reach a view on the sites to be selected for designation it seems to me that we ought to consider the comments which have been made by those who received the consultation document and, more importantly, reach a view on the question of whether additional public resources should be made available for development of the selected sites. (Although you have indicated that you do not

/propose

The Rt Hon George Younger MP  
Secretary of State for Scotland  
Scottish Office  
Dover House  
Whitehall  
London SW1



propose to go into any detail in making your announcement it is highly likely, given the comments we have received on our enterprise zone proposals that you will come under heavy pressure to say something about resources.) A separate and early announcement regarding Clydebank would seem in some measure to pre-empt our collective consideration of our proposals.

At the same time there are, as I am aware, a number of difficulties regarding the choice of sites in England. Like you I am anxious that an announcement about the Welsh site should be made quickly and it may be that once we have discussed the choice of sites collectively, I will wish to follow your lead and make an early announcement about Swansea.

Therefore while I have some misgivings about your proposals to make an announcement about Clydebank tomorrow I would not wish to press them, if you feel that there are overriding reasons for making an announcement now.

J. E. M.

Neil

P.S. I am copying this letter to recipients of yours.

✓ Press Office



To see  
MS  
PRIME MINISTER

SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

Reg 152  
To see -

as expected

MS

4/7

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

4 July 1980

Dear Secretary of State,

ENTERPRISE ZONES

I am writing to seek your agreement to my announcing the choice of Clydebank as the Scottish Enterprise Zone site during the Estimates Debate on Industry and Employment in the Scottish Grand Committee on Tuesday 8 July. I expect there to be considerable pressure for an announcement at that time and there is already an Oral Question down for answer the following day on the same point. The announcement would form an important part of the theme of positive response to the problems which confront us.

I do not think that this announcement should cause colleagues any difficulty. The media in Scotland have treated the selection of Clydebank as all but settled for a long time now. The other Scottish runner, Braehead, at no stage attracted much public support; the local authorities were lukewarm; and investigations by my officials have shown it to have considerable limitations. On the other hand, as Geoffrey Howe will know from his own visit, Clydebank District Council are intensely keen to capture the Scottish Enterprise Zone and to make it work.

My officials will be contributing more detailed information about Clydebank to the report which your Inner City Directorate have in preparation. On Tuesday, however, I would merely wish to confirm the choice of Clydebank as the basis for the Enterprise Zone without providing any details of the precise site or conditions that might be attached to development on parts of it - beyond saying that it would extend further than the small 87 acre Singer site which was the initial focus of our interest.

I very much hope that you can agree to this proposal and that colleagues will appreciate the reasons for my wanting to proceed in this way.

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

Yours sincerely,

JJ Wilson

Approved by the Secretary of State  
and signed in his absence

PART 2 ends:-

s/s Ind to s/s DOE 26/6/80.

PART 3 begins:-

s/s Scott to s/s DOE 4/3/80.