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E(79)85

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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

ENTERPRISE ZONES

Memorandum by the Chancellor of the Exchequer

In my earlier paper E(79)55 I proposed the introduction of Enterprise Zones as a way of overcoming deep-seated problems of physical or economic decay, and promoting economic revival, by removing, so far as possible, the hand of Government. E Committee on 23rd October (E(79)13th Meeting, Item 3) expressed strong support for the concept of Enterprise Zones, but asked me to arrange for the members of MISC 14, together with certain other Ministers, to consider the proposals in more detail. I have now done this, and the following proposals take account of discussion at the MISC 14 meeting.

2. In this memorandum I am seeking the Committee's agreement to:
 - i. The package of measures to be applied in Enterprise Zones.
 - ii. The choice of sites.

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iii. The necessary legislation.

iv. The method of announcement and future handling.

The Package of Measures to be applied in Enterprise Zones

3. We want a few really attractive measures, not a long list of minor ones. I suggest:

i. Capital allowances for buildings. I propose that capital allowances should be available equally for industrial and for commercial buildings in Enterprise Zones, at a rate above the normal rate for industrial buildings. The necessary legislation would be in the 1980 Finance Bill. I cannot finally settle the rate till then. If possible I will set it at 100 per cent. Meanwhile the announcement would say 'at least 75 per cent'. The allowances would run for a guaranteed but limited period - I suggest 3 years.

ii. Exemption from DLT. The idea is to encourage landowners to release land for development. To do so they need the prospect of capital gains (which will be controversial but defensible). This concession should also run for a limited period.

iii. De-rating of industrial and commercial premises. I should prefer this concession to apply only to new premises. I see a case in principle for applying it to new users of existing premises but it would then be open to abuse (e.g. firms could qualify by moving about within the Enterprise Zones). The choice is therefore between applying the concession to new industrial and commercial premises, and applying it to all such premises in Enterprise Zones. The Environment Secretary is considering the practicalities and may be able to comment on this judgement at the Committee's meeting. In the

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light of all this I should be grateful for the Committee's views as to which course they prefer. There will then be two further points for decision. Should the concession be time-limited? And should the local authorities concerned be compensated (within the total available for Rate Support Grant) for their loss of rate income? On both points I think the case for answering 'yes' becomes stronger, the wider the scope that is being contemplated for the concession.

iv. Exemption from industrial development certificate controls. These have of course been greatly reduced already but MISC 14 saw attraction in getting rid of them altogether in Enterprise Zones.

v. Exemption from the industrial training levy. The Employment Secretary offered this measure, which he envisaged would be on an indefinite rather than a time-limited basis.

vi. Exemptions for employers from all but the base minimum of Government statistical surveys. Again this measure would be applied on an indefinite basis.

4. These would be the only Central Government measures. But local authorities and other statutory bodies would have an important role in encouraging the development of new businesses in Enterprise Zones. They can do a lot just by sympathetic administration of planning, building and fire regulations, health and safety at work regulations and pollution control. I should be glad if Ministers responsible for these policy areas would urge the relevant authorities to act accordingly. In the planning field I think we could consider going further, and making developments easier by means of Special Development Orders. We do not need to take a decision on this point at present, and I shall be discussing it further with the Secretary of State for the Environment.

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Choice of Sites

5. Annex A gives details of some 25 sites which MISC 14 considered as possibilities. However, we cannot be sure at this stage that they would be successful - or even feasible - as Enterprise Zones. That requires a degree of local knowledge which we do not possess, so the next step must be consultation with the relevant local authorities. This might also lead us to rule out some otherwise suitable sites simply on grounds of local authority non-co-operation.

6. I give below a first list and a reserve list of possible sites. I propose that, as soon as the Enterprise Zones policy is announced, we should consult the local authorities whose areas include the sites on the first list. I also recommend that if the process of consultation leads us to drop any of the sites from the first list, the Environment Secretary and I should have discretion to pick replacement sites from the reserve list and open consultations about those. We should of course normally pick a site from the same region where that was possible, and the general aim would be to end up with about a half a dozen sites for designation, giving a good spread across the regions and across different types of site. The sites I propose are as follows:

	<u>First list</u>	<u>Reserve list</u>
London	South Shoreditch, Hackney	North Wandsworth
West Midlands	-	Bilston, Wolverhampton
Yorkshire & Humberside	Attercliffe, Sheffield	Doncaster, Carr
North East	Bolton, Tyneside	-
North West	Speke, Liverpool	Preston Docks
Scotland	Clydebank (singers)	Clydebank (Braehead)
Wales	Lower Swansea Valley	Briton Ferry, West Glamorgan
Northern Ireland	-	West Belfast

7. It is important to keep the number of sites small at this stage because the designation of Enterprise Zones will be in the

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nature of an experiment. In any case I could ^{NOT} extend the main fiscal concession, relating to capital allowances, very widely. But there will be pressure on us to designate more Enterprise Zones, and if the initial experiment is proving reasonably successful after say two years I think we should be prepared to designate a further batch.

Legislation

8. Some of my proposals will require legislation, though they should not need more than a few clauses in all. One possibility would be a free-standing Enterprise Zones Bill in the next session of Parliament, but MISC 14 agreed it would be better to make faster progress than this. If we were to legislate this session the obvious vehicles would be the Finance Bill and the Local Government Planning and Land Bill.

9. The additions to the Finance Bill would cover the capital grants for industrial and commercial buildings and the exemption from Development Land Tax. The additions to the Local Government Planning and Land Bill would be a provision enabling the Secretary of State to designate Enterprise Zones; provisions about de-rating; and a provision allowing exemption from the training levy, if primary legislation is needed (the Employment Secretary is checking on this).

10. The Cabinet decided on 13th December that the Local Government Planning and Land Bill should be considerably shortened. The detailed implementation of this decision is being considered by the Environment Secretary, who will be reporting to an ad hoc group under the Home Secretary. I recognise the difficulty in these circumstances of adding further clauses to the Bill. But I hope that, if E Committee is sympathetic in principle to the idea of legislating this session, the Home Secretary's group will be able to agree to the addition of a few clauses in the context of an overall reduction in the length of the Bill.

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Further Action

11. If the Committee agrees with the foregoing proposals, I should like to make the initial announcement of the Government's intentions, but then hand over the main responsibility for the work, including the consultations with local authorities, to the Environment Secretary who is better placed than I am to carry it forward.

12. I attach at Annex B a draft of a document which might be attached to a press release and send to interested bodies at the time of the initial announcement. It is drafted as a policy statement, not as a consultative document. But it indicates that we are prepared to take any comments into account in developing the concept of Enterprise Zones.

13. The main constraints on the timetable are the need to consult the EEC Commission as soon as possible about the fiscal proposals, and the need to make the main announcement before the Second Reading of the Local Government Planning and Land Bill if some of the legislative provisions are to be contained in that Bill. The detailed programme would be as follows:

i. Immediately after E Committee's decision, the Foreign and Commonwealth Secretary would arrange for informal discussions of our proposals which the EEC Commission, and the Environment Secretary would seek drafting authority for the legislative provisions which would go in the Local Government Planning and Land Bill.

ii. The Environment Secretary and I would seek the agreement of the Home Secretary's group to the inclusion of the relevant clauses in the Local Government Planning and Land Bill. The rest of the sequence assumes that this agreement is given.

iii. I would announce the Government's policy and launch the document at Annex B. - 6 -

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iv. The Environment Secretary would then open consultations with the local authorities whose areas contain the sites on the first list, and the Foreign and Commonwealth Secretary would begin formal consultations with the EEC Commission.

v. The Environment Secretary would confirm the Government's policy during the Second Reading debate on the Local Government, Planning and Land Bill.

vi. The Environment Secretary would introduce new clauses relating to Enterprise Zones during the Committee stage of the Local Government, Planning and Land Bill. If possible, introduction would be delayed until after the formal consultations with the EEC Commission had been completed.

vii. I would include the fiscal provisions in the 1980 Finance Bill.

viii. The first Enterprise Zones would be designated as soon as possible after the Local Government, Planning and Land Bill became law, i.e. probably in the autumn of 1980.

CONCLUSIONS

14. I seek my colleagues' agreement to:

i. the package of measures described at paragraph 3 above;

ii. the first list and reserve list of sites for consultation given in paragraph 6 above;

iii. the inclusion of legislative provisions in the Local Government, Planning and Land Bill, subject to the agreement of the Home Secretary's ad hoc group, and in this session's Finance Bill;

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iv. the issue of the document at Annex B, provided that the Home Secretary's group agree that the necessary legislation can be introduced this session, and subject to any minor amendments which may become necessary between now and the date of issue;

v. the timetable and method of proceeding described in paragraph 13 above.

H.M. Treasury

(G.H.)

14 December 1979

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LARGELY OR PARTIALLY DERELICT SITESBilston, Wolverhampton, in the West Midlands

Wolverhampton is a derelict land clearance grant area, and a programme authority under the inner city policy. Unemployment is currently around 7% but will increase with the loss of 2,000 jobs on closure of part of the steel plant. The site covers roughly 200 acres of developable land but might be extended, in an urban industrial area. The land is almost entirely waste or derelict, and is predominantly owned by BSC, Wolverhampton District Council, the rest is in private ownership. Pre-development works are expected to cost about £1m to £2m but could be higher, some of this would probably be taken on by the private sector. The local authority (labour) is efficient, and is keen and effective at promoting private sector development. However it's possible that much of the developable land may already be committed and therefore not available. Consultations would be needed to ascertain this and to put a more accurate figure on costs. The likely end uses would be industry and warehousing.

Attercliffe at Sheffield, in Yorkshire

Sheffield is an intermediate area but is to be down-graded, and it is a derelict land clearance grant area and a programme authority. Unemployment at 5.4% is not far off the national average, but BSC redundancies may add to this. The site covers roughly 500 acres in an inner, urban, and predominantly industrial area with a very poor environment. There is some housing but it is gradually being cleared, and there is a street of shops. About 20% (100 acres) of the land is vacant and either waste or derelict, but not all of this may be available. More might become available through housing clearance, and if BSC closes one of the local steel plants. Most of the developable sites are owned by the City Council or BSC. The availability of land would depend almost entirely on the attitude of the local authority and on BSC's plans for their plants in the area. The cost of pre-development works would be £4m-6m but the private sector might bear part of this. The local authority (solid Labour) are efficient and have a good record of attracting private sector investment; some of it to Attercliffe. The likely end use would be industry and warehousing.

Preston Dock, at Preston in Lancashire

Preston is in an intermediate area but is to be down-graded and is a derelict land grant clearance area. Unemployment is currently at about 5.4% which is near to the national average. The dock is scheduled to close in 1983 but this might be brought forward, perhaps to 1981. It might be possible to make some land available ahead of closure. At closure about 170 acres would become available together with 300,000 sq ft of lettable buildings. The land would be largely empty and derelict former docksides, but the area might be extended to include unused ^{waste} land to the west. Eventually the dock itself might be filled in to provide extra land but this would be too expensive to interest the private sector. All of the land is owned by Preston District Council. The site is within the area of the Central Lancashire New Town who could therefore be used as a managing and land provision agency. New Employers in the area would be affected by the Dock Labour Scheme. The likely end use would be predominantly industry and warehousing though perhaps with some commercial development, eg a superstore.

Trafford Park and adjoining area, in Manchester

Part of the site is within the Manchester/Salford inner city partnership area and the remainder adjoins it. Trafford Park is a very large but old industrial estate near the heart of the conurbation and provides jobs to people from a wide area. Unemployment is slightly above the national average at about 6% but is higher in the area immediately adjoining the estate. The environment is poor, and although the estate is still generally fairly prosperous it is dotted with vacant sites and occasional empty factories. In total about 400 acres of land is vacant within the existing developed area; - but not all of it would be available for development - and a further 250 acres of undeveloped land already zoned for industrial use might be available on the fringe. The major land owners are the Trafford Park Industrial Estate Company who own the estate itself, the local authorities, and the Manchester Ship Canal Company (who would want port related development). Likely end uses within the industrial estate would be industry and warehousing but there might also be scope for commercial development and possibly a site for a superstore.

*most of it is already serviced

Glasgow-Cambuslang: Clyde Iron Works Site

A 210 acre site formerly occupied by Clyde Iron Works within the 500 acre Cambuslang Recovery Area. The site is 5 kilometres South-East of the city centre and within the Glasgow East End Renewal Area and is within a Special Development Area. The whole site is within the ownership of the British Steel Corporation and they, together with Scottish Development Agency and EEC support, have drawn up a report identifying the area as suitable for a range of industrial service and commercial activities. Major reclamation of waste tips and foundations is necessary. Unemployment in district 16.2% among males. The site is within a special development area and is a designated district under Inner Urban Areas Act. Cost of pre-development works £3.6 million.

Lower Swansea Valley (Morrison West Glamorgan)

The area of about 218 acres is made up of 3 distinct sites. Firstly, a 20 acre block in the ownership of the Welsh Development Agency on which the Agency have built 4 advance factories. Two have already been let. The second portion of the area, amounting to about 74 acres, is owned by the Swansea City Council and partly leased to Wales Gas. The local authority are currently negotiating to repurchase the lease. Swansea is a designated district and the area has been declared an Industrial Improvement Area under the Inner Urban Areas Act 1978. At present it provides employment for about 700 people. The third portion of the land is an industrial park of 124 acres on reclaimed derelict land and is also in the ownership of the local authority. Cost of pre-development works and servicing would be around £2.5 million. The site offers reasonable prospects for economic development and the opportunity to avoid the haphazard development of the past.

Unemployment is currently 7.7% which is above the national average but marginally below the Welsh average. At present has Development Area status - to become an intermediate area in August 1980.

Swansea City Council have a good record in the fields of industrial site development and industrial promotion.

Briton Ferry - Duport Steel

The total acreage available land was acquired by the West Glamorgan County Council after the Duport Steelworks closed in 1978. Demolition and clearance of the site is due to be completed by the Autumn of this year. A contract has been let to provide adequate road access to the site. There is still some in-fill work to be undertaken and full clearance of road and rail infrastructure. The presence of essentially hazardous activities on the site means that the types of industry on part of the site are likely to be restricted. Cost of pre-development works and bridge/road access - £6.5 million.

Unemployment is currently 7.5% and the same as the Welsh average. At present it is a SDA but will have Development Area status from August 1980. West Glamorgan County Council have a good record in the fields of industrial site development and industrial provision.

West Belfast: Oldpark/Crumlin

This area of approximately 500 acres consists of large mill complexes which in many instances are obsolete and under-occupied. Immediately adjacent to it is an area of 19 acres which is in the process of redevelopment and is largely a cleared site.

The area is well located in relation to the main communication routes and has a labour force on its doorstep within communities which are trying to survive and improve themselves in an inner urban context. Unemployment in the Belfast travel-to-work area is running at 10% but it is expected to fall in West Belfast and the areas of Shankill, Crumlin Road, and Oldpark, which surround the site, all lie within the boundary of the Belfast Area of Special Needs programme.

A major portion of the site is already in industrial and commercial use and the remainder, which is largely cleared, is in public ownership and is currently being considered for rezoning for commercial or industrial use.

West Glamorgan

The site is about 160 acres. The West Glamorgan County Council after the closure in 1978. Demolition and clearance by the Autumn of this year. Adequate road access to the site. Work to be undertaken and full clearance of road and rail infrastructure. The presence of essentially hazardous activities on the site means that the types of industry on part of the site are likely to be restricted. Cost of pre-development works and bridge/road access - £6.5 million.

Unemployment is currently 7.5% and the same as the Welsh average. At present it is a SDA but will have Development Area status from August 1980. West Glamorgan County Council have a good record in the fields of industrial site development and industrial provision.

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A major portion of the site is already in industrial and commercial use and the remainder, which is largely cleared, is in public ownership and is currently being considered for rezoning for commercial or industrial use.

2. URBAN, BUT LARGELY EMPTY AND UNDEVELOPED SITES

Doncaster Carr, at Doncaster, in Yorkshire

Doncaster is, and will remain, an intermediate area and a derelict land grant clearance area. It is a designated district under the Inner Urban Areas Act. The unemployment rate is about 8%. The site is of about 220 acres and is within the urban area but it is almost wholly vacant marshy land that needs draining, filling and servicing. The private sector might take this on. If not the total cost would be between £6m and £8m, phased over a period of years so that the maximum deficit would be £2m with a break even point after 5 years. The land is almost entirely owned by Doncaster DC (172 acres) and BR (42 acres). Both are anxious to see development. The local authority (solid Labour) is efficient and has been unusually effective at attracting private sector investors. Likely end use would be warehousing and industry with possibly some commercial development.

Speke, Liverpool

Liverpool is within the special development area and is a derelict land clearance grant area. The site is within partnership area. Unemployment is high at around 13%. The site is within the urban area and is bordered by industry, housing and the Airport. The site itself is a disused section of the Airport and is therefore largely undeveloped though there are runways and a few airport buildings. It would need roads and services costing about £5m to bring it into development. It is owned by the Liverpool City Council (no majority party) who we believe might co-operate. Likely end use would be industry and warehousing with possibly some commercial and conceivably some housing development.

Earlstrees - Corby, Northamptonshire

Corby is to be declared a DA and a Derelict Land Clearance Grant area. On closure of the steelmaking plant unemployment will exceed 20%. There are three possible sites for an Enterprise Zone. Subject to the views of the Local Authority and the Development Corporation perhaps the most suitable would be Earlstrees where there

*but funds for this have already been allocated (approx £3m)

are 170 acres bordering an existing industrial estate on the edge of the town. The land is owned by the Development Corporation; it has been worked and would need consolidation and servicing'. An EZ in this location could be managed either by the Development Corporation or possibly the New Towns Commission. Likely end uses would be industrial and warehousing.

Glasgow - Braehead

7km from Glasgow city centre. 500 acres, of which 300 are undeveloped. Allocated in Structure Plan as large industrial site for primarily dock-based industry - Special Development Area Status. Part of the site is designated district under Inner Urban Areas Act. Infrastructure reasonably good. Majority of available land owned by Clyde Port Authority. Unemployment in district 12.1% among males. Pre-development costs would be minimal, access costs should not exceed £100,000.

Inverclyde District - Greenock and Port Glasgow

This is a district with a population of around 100,000 but experiencing continuous population loss. Unemployment is high (11.5% in July 1979). It is a highly industrialised area with a concentration of old established heavy industry, mainly shipbuilding which occupies 188 acres. The rundown of older industries means that there is under-used and vacant land though it tends to be scattered in small pockets. It also has new industrial estates being developed which have attracted new industries particularly electronics. Sugar refining is important but one of the two mills is to be closed. The district has special development area status and is a designated district under the Inner Urban Areas Act. The local authority is considering the declaration of an extensive improvement area. It is linked to Glasgow by electric railway, lies to the West of the almost completed M8, is 12 miles from Glasgow Airport and has within it the Clyde Container Port. Pre-development costs should not exceed £1 million.

Shotton - Deeside Industrial Park (Clwyd)

The Industrial Park at Shotton is about 635 acres. The Welsh Development Agency own 155 acres; BSC (Industry) Ltd the rest. There is already planning permission for 360 acres. The WDA have

provided services on 55 acres in readiness for development and work is planned to begin on the rest of the area following completion at the end of this year of the contract to raise the level of the site. That part in the BSC's ownership which has been granted planning permission is also being cleared by the WDA.

The Industrial Park is immediately adjacent to the Shotton Steelworks site in Clwyd. Unemployment is currently 6.6% and could reach 13% if steelmaking ends (assuming a registration rate of 70%). The area is DA but is likely to be made SDA if steelmaking ends. Remedial measures to be taken in the event of closure are under discussion and these may make declaration of an Enterprise Zone inappropriate.

3. URBAN FRINGE SITES

Boldon at South Tyneside in Tyne and Wear

South Tyneside is a special development area, a derelict land clearance grant area, and a programme authority. The unemployment rate is high at around 11.4% and South Tyneside and Sunderland will both suffer from shipbuilding closures. The site is currently in use as farmland (grade 2). However it is zoned in the draft structure plan for industrial use, it abuts the urban areas of South Tyneside to the north and west and is near to Sunderland in the east, and to the boundary of Washington new town to the south west. Extension of the new town designated area would enable the residual planning and land functions in the EZ to be carried out by the Washington Development Corporation who have a good reputation amongst the private sector. There may be problems of mining subsidence. If the land had to be acquired compulsorily in order to make it available to private developers the cost of finance would be approximately £1.5m. Servicing costs would be between £2m and £10m though these could be phased. Tyne and Wear CC (Labour) might well welcome both an EZ and a proposal to use the Development Corporation to implement it. The attitude of South Tyneside (Labour) is less certain but they are desperate for jobs. Likely end uses would be almost anything - housing, commercial, industrial, warehousing.

4. ENTERPRISE ZONES - SELECTION OF SITES IN LONDON

In a number' of the areas listed above (Tyneside, Merseyside, Lancashire, Scotland etc) there are significant numbers of empty factories and vacant industrial sites with planning permission. In London, however, there is generally a greater pressure of demand and the problem is more one of shortage of suitable sites. Moreover some of the planning authorities are more restrictive than those in poorer areas who have long sought to increase employment; and relaxation of planning procedures could have considerably more impact here than elsewhere. This different attitude to planning may of course also be a reflection of the special problems associated with the uniquely high density of existing development in London. These problems add greatly to the difficulty of finding a site that would be appropriate for an EZ. On the other hand, the generally higher level of demand in London may contribute to an EZ success.

Isle of Dogs - Tower Hamlets

The Site is within the Docklands Partnership area and the UDC area. Two possibilities have been considered: an EZ covering the whole Isle and a smaller EZ in the south-east. The amount of developable land available within the smaller area amounts to about 20 or 30 acres all in local authority ownership and would probably be too small for a worthwhile EZ. A larger EZ would depend crucially on the land owned by the PLA (approximately 400 acres); its availability depends on the future of the Docks which has yet to be resolved. Until this uncertainty is removed an EZ on the Isle of Dogs would probably be stillborn. Pre-development costs could be considerable. Likely end uses would be offices and other commercial, possibly some industry and probably luxury housing.

The South Bank from Blackfriars to Tower Bridge - Southwark

Some thought has been given to the possibility of an Enterprise Zone of between 150 and 200 acres in this area just outside the Docklands Partnership. In the past development of offices in the area has probably been hindered by the conditions sought by the local authority. Although the authority is keen to see redevelopment there is powerful local opposition to offices from vociferous community groups. A number of the sites involved are prime,

riverside sites opposite the City where redevelopment would be highly profitable. Almost all are in the hands of private owners who we believe would wish to redevelop eventually, although they are tending to hold off at the moment awaiting a turn in the market. Many of the sites are conspicuous, and by London standards fairly large, and any development proposals would excite strong public interest (cf the inquiry into the nearby Coin Street proposals). The designation of an EZ would effectively remove local authority influence over individual developments, and objectors' rights to be heard at a public inquiry. There can be little doubt that this would raise a storm of local protest and that the local authority would be forced by strength of local feeling to strongly oppose an EZ. Although an Enterprise Zone in this area would probably speed up development it is doubtful whether it could be implemented against the sort of opposition that might be expected. Likely end uses would be offices, hotels, other commercial, and perhaps luxury flats.

South Shoreditch - Hackney

The site lies within the Hackney/Islington Partnership area. It is an area up to 175 acres north of the City, built-up and crowded with a mixture of offices, shops, workshops and mixed-use housing. Many of the buildings are old and dingy and the environment is poor. There are few vacant sites, but a number of under-used buildings. The southern part would be suitable for City spillover. But in most of the area the sheer density of small users would make site assembly slow and expensive. The scope for new development would be constrained; rehabilitation and reuse might be more economic. But redevelopment has also probably been hindered by local authority attitudes and inefficiency. The attitude of Hackney BC (Labour) is not known, but they might resist if they thought that unrestrained office development would drive out the small businesses which currently provide semi-industrial employment for local people. Likely end uses would be offices and other commercial, possibly with luxury flats.

North Wandsworth - Wandsworth and Lambeth BCs

The site is mostly in Wandsworth, a designated district under the Inner Urban Areas Act, but with a small part in Lambeth - a partnership authority. The main possibility is an area of about 170 acres of developable land stretching between the railway and the river

from Chelsea Bridge to Vauxhall Bridge (it can be seen from trains coming in to Waterloo - it has Battersea Power Station at one end and the new Covent Garden Market towards the other). The area is predominantly either underused, or vacant, and much of ^{it} is derelict. Ownership is mixed but the key area is land owned by British Rail (84 acres) and PSA (22 acres). Much of which they might wish to retain - consultation could establish this. The location is a good one close to the central area, but site preparation would be expensive at a total of about £2-£4m though the private sector might nonetheless take this on. Likely end uses would be offices and other commercial, some industrial, luxury housing.

ENTERPRISE ZONESDRAFT DOCUMENT FOR ISSUE TO LOCAL AUTHORITIES AND OTHER INTERESTS

1. The Government has announced its intention to legislate for the creation of Enterprise Zones. The purpose of these zones is to test, on a few small sites, the extent to which industrial and commercial activity can be encouraged by the lightening of certain fiscal burdens, and the removal or sympathetic administration of certain statutory or administrative controls.

2. The number of Enterprise Zones would be limited to about half a dozen, at least in the first instance, and the area covered by each would be relatively small - probably up to about 500 acres. The sites would be in areas with concentrated problems of economic and physical decay. Subject to that, they would be well spread across the country and different types of site would be chosen

in order to test the effectiveness of the approach in different circumstances. The establishment of Enterprise Zones would have no direct connection with the application of existing policies such as regional policy, inner city policy, rural development or derelict land policy. The sites chosen for Enterprise Zones would continue to benefit from any aid which they receive under those policies.

3. The measures which the Government plan to apply to Enterprise Zones fall into two broad categories, fiscal and non-fiscal. Some of the measures would be deliberately discriminatory and would not necessarily be suitable for wider application.

Fiscal Measures

4. The Government plans the following measures -
- a. Relief from Development Land Tax;

- b. Capital allowances at a uniform rate for commercial buildings and industrial buildings. The rate has still to be determined, but ~~the Government intends~~ ^{would be at} ~~that it should be more generous than the rate which~~ ^{least 75 per cent.} ~~applies in the rest of the country to industrial buildings alone.~~

5. These relaxations would apply for a guaranteed but limited period from the date of designation - the Government proposes three years. In addition, the Government proposes to de-rate new newly-occupied industrial and commercial property again for a limited period, in this case years. The local authorities concerned will be compensated for their loss of rate income.

Non-Fiscal Measures

6. The Government propose that within Enterprise Zones -

- a. The remaining industrial development certificate procedures would be abolished.
- b. The Government would reduce to a bare minimum its requests for statistical information.
- c. The obligation on employers to pay a training levy to Industrial Training Boards would be abolished, to the particular advantage of smaller firms.

These measures would not be time-limited.

7. In addition, much can be done to speed developments by sympathetic administration of planning procedures, building regulations, fire, health and safety regulations and pollution controls. The Government will explore with the relevant authorities the extent to which developers can be helped in this way without,

of course, putting basic standards at risk.

Implementation

8. The Government proposes to take powers to designate Enterprise Zones [by an addition to the Local Government, Planning and Land Bill now before Parliament. The de-rating provisions and any other provisions requiring primary legislation will also be added to this Bill.] The provisions about capital allowances and relief from Development Land Tax will be included in the 1980 Finance Bill.
9. The key to the success of Enterprise Zones is stimulating economic activity in run-down areas. This is likely to involve both investment in existing properties and new development. The effects on private and public interests will be taken into account in determining any designation. Care will also be taken to minimise the risk of blighting or speculation in advance of final designations.

Consultations

10. A limited number of local authorities in Great Britain are being consulted directly about possible sites for Enterprise Zones, as is the equivalent authority in Northern Ireland. The authorities chosen are experienced in tackling the problems of economic decline and physical decay.

11. The Government would also welcome comments on its proposals from other local authorities, ~~and other~~ organisations and individuals with an interest in the subject. These comments will be taken into account as the Government further develops its proposals. This document has therefore been circulated to those set out in the attached list. It would be helpful if comments were sent to

The Secretary of State for the Environment, 2 Marsham Street,

London SW1P 3EB, by

1980⁷.