



Regional Policy

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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