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14 January 1981

CABINET
MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

ENTERPRISE ZONES : NORTH EAST WALES

Memorandum by the Secretary of State for Wales

1. I would like to follow up the success of the negotiations for an EZ in the Lower Swansea Valley with an early start to discussions on a second zone in Wales - this time in North East Wales.
2. From the start there has been pressure from authorities in Clwyd for a zone within their area and the area was among those considered when we first developed the EZ concept. The case for a zone in North East Wales is strong. The industrial areas, mainly Deeside and Wrexham, both SDAs, have problems of the same kind and as serious as those in South Wales and they are having progressively to cope with urban and industrial dereliction associated, in their case, with a history of decline of the traditional industries of steel and textiles and to a lesser extent, coal. On a conservative estimate, the area has upwards of 1,350 hectares of dereliction - a figure which reflects the priority given in early years to derelict land clearance schemes in South Wales. This is especially emphatic in the Wrexham/Shotton area. A decision to site a zone in the area would be not only a sign of the Government's determination to assist the area's redevelopment but a positive way of so doing.
3. There have been no discussions as yet with the local authorities there. We have to take a decision in principle first. I have no doubt however that as in South Wales the local authorities would make every effort to draw up a flexible scheme and to ensure its success. My preliminary

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assessment (taking into account views of the Welsh Development Agency) is to favour Deeside and in particular an area of land based on the Deeside Industrial Park. There are various options as to boundaries but I would be looking for a clearly defined and coherent area of about 650/700 acres where additional infrastructure costs would be relatively small. Just over 300 acres of land is being developed by the WDA and BSC (Industry). About half of this will be occupied by factories. The current construction programme is completed. The remainder is serviced and ready for immediate development. The rest of the Park comprises 350 acres owned by BSC which is earmarked for industrial development in the longer term. It will need to be raised in level (costing about £1 million) and the necessary services provided. The timing of this work will depend in part at least on the rate at which the factories/land on the serviced part of the Park are taken up.

4. The rate relief in the initial years at least would be small. My preliminary assessment is that at the present time it is in the range of £150,000-£200,000 compared with about £500,000 in the Swansea EZ and an average in the English Zones of over £1 million.

5. I put this case forward directly on its merits and with a clear regard for the immediate public expenditure implications. But I recognise that acceptance would increase pressure for additional zones elsewhere throughout the country. No further zones are planned in England. I understand however that before the proposal for a second EZ in Wales was put forward, the Secretary of State for Scotland was in favour of a second zone in Scotland, firstly because of the increase in the number of zones in England, compared with the number originally envisaged; and secondly because of the general attraction of the EZ concept and the public attention that it has received in Scotland. Therefore if a second Welsh Zone were to be agreed and an early announcement made, I believe that the Secretary of State for Scotland would wish to argue for a parallel announcement in principle for a second zone for Scotland (though without a commitment as to the location at that stage). If a second EZ was created in either Wales or Scotland it would lead to more pressure for a second zone in Northern Ireland. Local MPs have already been pressing for a second zone in the Province.

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6. For my part I would support such an extension if in fact colleagues in Scotland and Ireland can build on the success of their initial schemes as I propose to do in Wales. I would further accept that thereafter no further schemes would be supported from whatever source, certainly at least until the agreed scheme had run for several years and had been properly evaluated.

7. In earlier discussion on these proposals, the Chancellor set out some doubts about the proposal. In particular he argued that Enterprise Zones should be used to bring new life to areas of urban or industrial dereliction and not as instruments for planning employment intensive investment. He also referred to the increased public expenditure involved and the dangers of other sectors suffering high unemployment pleading for similar treatment. The Chancellor's detailed views were set out in his minute to the Prime Minister of 17 December.

8. I recognise that there would be difficulties if we were to extend EZs much more widely than agreed at E Committee in July. But I do not believe that these proposals in any way prejudice the EZ concept or indeed its experimental nature. I see the NE Wales proposal as consistent with the way our general strategy on EZs has been developing. There are EZs proposed already in SDAs and in steel closure areas. It would be surprising if this were not so given that the basic objective of an EZ is to help regenerate a rundown local economy.

9. In my view there remains a strong case for an additional EZ in Wales and all the evidence so far indicates that this should be on Deeside. Subject to colleagues' agreement, I propose to make an early start to discussions with local authorities in Clwyd and to announce this. I would make it clear throughout that these discussions are exploratory only and that no pre-emptive decision is involved. If at a later date firm proposals for designation were to emerge I would follow the normal procedures and put these forward for agreement in the usual way.

R.N.E.

Welsh Office
14 January 1981

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