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MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

ENTERPRISE ZONES

Memorandum by the Secretary of State for the Environment

Introduction

1. The Prime Minister, in her office's letter of 6 January, asked me to bring before colleagues any outstanding issues on Enterprise Zones so that decisions could be reached by the end of the month.
2. We are making good progress. The two remaining issues in England are the location of the further zone in the north, to which we are committed, and the boundary of the Team Valley part of the Tyneside EZ.

The Northern Zone

3. The contenders in the north of England for an EZ are Hartlepool, Sheffield, Scunthorpe and Wakefield. The key facts on the sites are at Annex A. The existing and possible zones are shown on the attached map.
4. As the EZ policy has developed I have come to appreciate the value of assessing its impact over a wide range of sizes and types of sites. Currently the largest (Tyneside) is over 1,000 acres but many are in the 500 - 600 acres range. I now believe that the experiment would benefit from being tried with smaller sites. The northern contenders lend themselves well to this approach. While the Sheffield sites (some 500 acres) is a good one, I believe that much better working arrangements would be possible with authorities at Wakefield and Hartlepool.
5. I therefore propose for the north of England two smaller sites, at Hartlepool and Wakefield. Both areas have severe problems of unemployment and industrial rundown. I am confident that the sites are satisfactory and the enthusiasm of both authorities will result in agreements that are fully in line with our objectives for Enterprise Zones.
6. In addition colleagues will recall that when the first zones were being selected one in Wandsworth was proposed. It was excluded because of the possible development costs and environmental objections and because the existence of two EZs in London could be criticised in other parts of the country. I now think that the regional balance

of the list as a whole justifies a further small zone in London, especially in view of the positive attitude of the GLC and the borough. The concept of a much smaller zone enables one to be produced that mitigates the environmental objections which I set to the original proposal. I therefore propose that I should negotiate with Wandsworth the possibility of designating a zone of not more than 50 acres.

7. The total for the three sites which I now propose will be less than the 500 acres for a zone of the kind we have had in mind so far. I also intend that as the size of individual zones is so much smaller than originally intended the initial rate costs of the English zones should remain close to the £8.7m which we have always envisaged.

Tyneside

8. On Tyneside the proposed zone borders the river and has an outline at Team Valley. This area is shown edged in black on the attached map. It includes, in the Newcastle part of the zone, one major firm (Vickers) within whose boundaries there are both large unoccupied premises and areas of vacant land available for development. I do not believe we could exclude this area without losing the support of the local authority.

9. I have been unable to agree with Sir Keith Joseph the boundary for Team Valley. I favour including only the southern part of the estate, which contains almost all the undeveloped land whereas Keith Joseph is anxious to include the whole of the estate, principally to facilitate disposal by EIEC. On the other hand I understand Geoffrey Howe has reservations even over the more limited area which I am suggesting.

10. The proposal which I put to E Committee in July (E(80)72 18.10) was for "an area taking in the undeveloped part of the Team Valley Industrial Estate" (which is owned by the English Industrial Estates Corporation) (which is owned by the English Industrial Estates Corporation). This reflected a proposition by Keith Joseph in a letter of 26 June which referred to "120 acres of serviced but undeveloped land" in the Team Valley, thus apparently excluding the developed part of the estate. E Committee approved the proposal (E(80)72). On examination, the most defensible boundary runs across the middle of the estate to include almost all the 200 acres of undeveloped land and giving a total of 420 acres in the southern part of the estate. This takes in the original 120 acres about which Keith Joseph and I are agreed and which we both regard as important to the success of the zone: much of the rest of the zone will be difficult and expensive to develop.

11. Including the northern part of the estate as proposed by Keith Joseph would be expensive in rate compensation: it will cost £1.4m p.a in addition to the £900,000 p.a. for the Southern area. Moreover this part is very largely developed and occupied so the scope for new development and economic activity is severely constrained. Here as elsewhere I have sought to gain the maximum amount of available development land and vacant premises whilst taking in as few occupied premises as possible. The objective of the EZ policy is not to create windfall gains for existing firms.

Developers close to many zones who have already invested in speculative factory developments claim that they will lose because their property will not now be marketable. But a line must be drawn and defended somewhere. It will be a great deal more difficult to resist the already considerable pressure to enlarge other zones, including Trafford, Speke, Dudley and the Isle of Dogs, by the inclusion of either neighbouring occupied premises or unlet estates if - of our own initiative - we now extend the Newcastle/Gateshead zone and increase the costs of rate compensation purely for the benefit of a government sponsored body.

12. We shall be monitoring the impact of the EZ and if the problems which Keith Joseph anticipates prove too damaging then we could, of course, reconsider the need for an extension.

Presentation

13. The uncertainties surrounding both the boundaries of the zones already announced and the possibility of the nomination of additional zones have had a blighting effect. I am therefore fixing the boundaries of the zones as quickly as possible. It seems equally desirable to end speculation over possible additional zones so that those concerned with investing in the candidate areas are clear as to the status of the area. I therefore recommend that, once decisions on the remaining sites have been made and announced, we should make it clear that we do not intend to establish any more zones until the results of the experiment have been assessed.

Conclusions:

14. I invite colleagues to agree

- (i) to the selection of small zones at Hartlepool and Wakefield and to the opening of negotiations with Wandsworth to define a very limited zone;
- (ii) to the inclusion in the Tyneside zone of only the southern part of the Team Valley estate, totalling 420 acres;
- (iii) that, once a decision on these sites have been made and announced no further sites should be considered for the present.

M H

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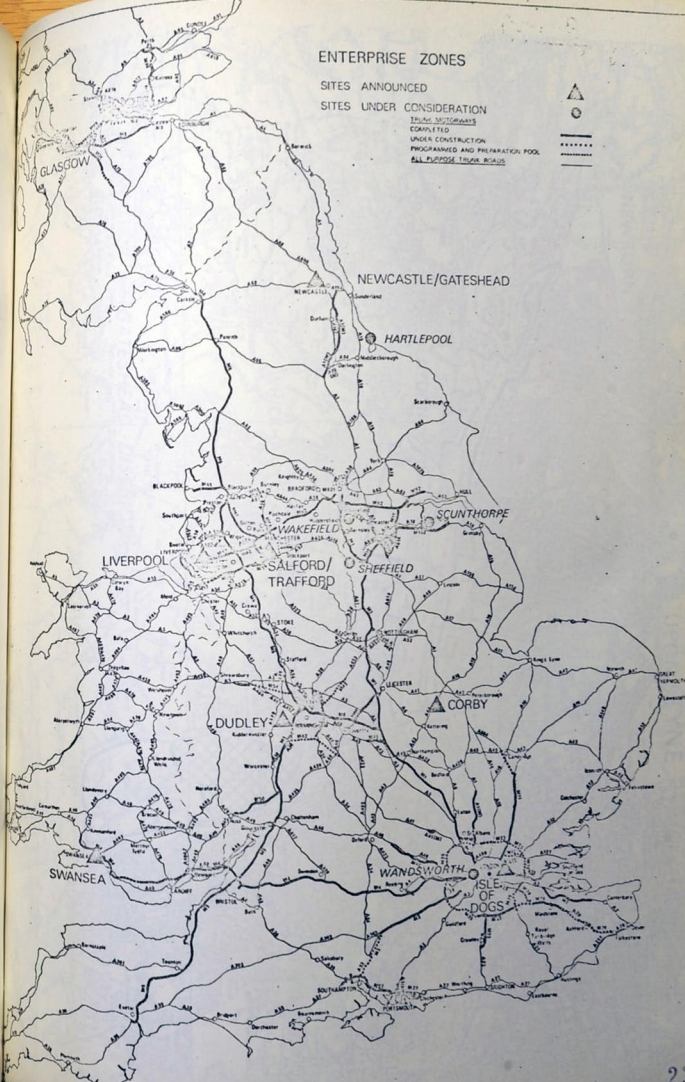
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SITE	POSSIBLE CONSTRAINTS ON DEVELOPMENT	PUBLIC SECTOR COSTS	LA PROPOSALS FOR PLANNING RESTRICTIONS	LA PROPOSALS FOR ADMINISTRATIVE ARRANGEMENTS	ATTRACTIVENESS TO PRIVATE SECTOR
<p>SHEFFIELD, Attercliffe: 500 acres (which could be reduced to 280 acres) of which some 240 acres is available for development, currently derelict or unused. In a steel making area suffering from rationalisation redundancies and short time working. Unemployment 10.1%. A programme authority. Could also serve Rotherham and Mexborough where male unemployment is 13.1% and 16.3% respectively.</p>	<p>1) Land release by LA and steel companies 2) A nearby hazardous industry would restrict type of development over part of the area</p>	<p>Rates approx £1.75m for whole site reduced to estimated £100,000 for smaller site. Limited infrastructure cost may be borne by private sector.</p>	<p>Current bid is restrictive but LA have expressed willingness to relax and negotiate.</p>	<p>Undertaking on 14-day time limit for planning approvals and appointment of EZ officer</p>	<p>Very good chance of early success. The area has already attracted private sector investment. Excellent local and national communications</p>
<p>WAKEFIELD, Langthwaite Grange 140 acre industrial estate. 67 acres are still vacant - in addition land for expansion is available around existing factories. Unemployment 10.7% but higher (20%) locally in area of proposed EZ.</p>	<p>1) 47 acres affected by mining subsidence until end '81. 2) 41 acres need drainage and access roads including 30 acres of (1) above</p>	<p>1) Rates £0.21m 2) Estate roads £0.25m 3) Drainage £0.05m</p>	<p>Completely relaxed planning regime but some qualifications on low employment uses such as storage</p>	<p>Full delegation to 3 man committee who will aim for decisions in a matter of days</p>	<p>Isolated site compared with other industrial sites in Wakefield but within 5 miles of A1</p>
<p>SCUNTHORPE a) Warren Rd 250 acres b) Clugston/Anchor Village 190 acres Steel town suffering from rationalisation. A further 4000 jobs to be lost under MacGregor Plan. Unemployment 11.4%. Sites close to existing industrial areas.</p>	<p>a)1) Nearby hazardous industry could restrict type of development 2. Services required b) Services required</p>	<p>a)1) Rates £85,000 2) Infrastructure costs est £3.1m some will be borne by private sector b)1) Rates £5,000 2) Infrastructure costs est £2.6m</p>	<p>LA wish to exclude shops special industries and some recreational health uses but expressed willingness to negotiate</p>	<p>Propose extension delegation to Borough Planning Officer</p>	<p>Relatively isolated town on motorway network. Recently granted Development Area Status</p>
<p>HARTLEPOOL: 200-300 acres based in part on former ESC north works Unemployment 16.1% DEA and Designated District</p>	<p>1. Hazards and nuclear installation might restrict type of development on small part of site</p>	<p>Rates less than £0.5m Local authority infrastructure costs £1.2m</p>	<p>Restrictions on large scale retail development. Suggestion of wish to retain range of more detailed controls including design and landscaping in parks of the area</p>	<p>Delegation of all but the most significant planning matters to a single officer.</p>	<p>The area is somewhat remote but reasonably well linked to major transport facilities and faces competition from the nearby successful new towns.</p>

CONFIDENTIAL

ENTERPRISE ZONES

- SITES ANNOUNCED
- SITES UNDER CONSIDERATION
- TRUCK STATIONS
- COMPLETED
- UNDER CONSTRUCTION
- PROGRAMMED AND PREPARATION, POOL
- ALL PURPOSE TRUCK ROADS



NEWCASTLE
UPON TYNE

NEWBURN

RYTON

BLAYDON

WHICKHAM

GATEHEAD

GATEHEAD DISTRICT

Sunnyside

Rowlands
Gill

GATEHEAD INTERPREISE ZONE

Scale 1:50,000

