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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

TYNESIDE ENTERPRISE ZONE: TEAM VALLEY INDUSTRIAL ESTATE

Memorandum by the Secretary of State for Industry

- 1 The proposed boundaries of the Tyneside Enterprise Zone exclude 230 acres at the northern end of the Team Valley Industrial Estate. I believe that there are strong arguments for including this area in the EZ although I have been unable to agree its inclusion with the Secretary of State for the Environment.
- 2 The Team Valley Industrial Estate is owned (save for some freeholds which have been sold) and managed by the English Industrial Estates Corporation (EIEC), a statutory body for which I am responsible. This Team Valley Estate is a regional, if not a national, monument and is widely known and respected as a model of its kind. It also represents the most important single source of disposable property in the ownership of the EIEC; three quarters of that property is in the northern part, most of it on leases which have not much longer to run.
- 3 The EIEC has been directed to self-finance the whole of the cost of its new factory programme from 1982 (£20 million per annum). Before the EZ proposal, the EIEC expected disposal of property on the northern part of the Estate, subject to renegotiation of leases, to contribute about £30 million to this cost. If the northern part is excluded from the EZ, it is the considered and unanimous opinion of the EIEC Board that it will not be possible to meet the financing objectives. In addition, the Board wishes to consider flotation of the Estate either as a Property Company or Property Bond but exclusion of the northern part will prevent any sale as a whole.

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4 Exclusion of the northern part of Team Valley North will, the EIEC Board also believes, lead to its gradual abandonment; 95% of leases expire during EZ period, many are small units housing easily mobile projects, and most are elderly and uneconomical. Some are too big for their occupants and many need renovating in order to re-let. About 60 acres are already scheduled for early refurbishment on expiry of existing leases. This work will not be carried out if this area is excluded since factories will not re-let in competition with new factories within the EZ a short distance up the road.

5 The result will be growing dereliction on the northern part next to growing development on the southern part. There is no natural boundary; each part lies on either side of the central dual carriageway through the estate (one firm will have its new factory in and its old factory out; it is trying to sell the lease on its old factory and will be unable to do so). The contrast will be stark and immediate and is likely to illustrate the blight effects of EZs too readily.

6 I acknowledge that no-one can predict with certainty the precise effects of the establishment of the EZ but the EIEC Board includes experienced private sector property developers and I see no justification for challenging their judgement on these matters.

7 While inclusion of the northern part would result in an additional current value rate cost of £14 million, this has to be set against the expected loss to public funds arising from the effect of exclusion on sales of property.

8 Accordingly, notwithstanding the problems of extending the area of the Tyneside Enterprise Zone, I invite colleagues to agree that the northern part of the Team Valley Industrial Estate should be included within the Zone.

Department of Industry

K J

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