

PREM 19/1115

Review of Regional Policy
 Assisted Area Boundaries and the
 creation of Enterprise Zones

REGIONAL POLICY

Part 1: May 1979

Part 4: June 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
3.7.81		25.5.82		17.12.82			
7.7.81		27.5.82		11.1.83			
10.7.81		1.6.82		17.1.83			
10.11.81		10.6.82		20.1.83			
3.12.81		18.6.82		27.1.83			
22.2.82		21.6.82		Ends			
1.3.82		25.6.82		PREMIER/1115			
17.3.83		28.6.82					
7.4.82		5.7.82					
20.4.82		13.7.82					
23.4.82		19.7.82					
28.4.82		26.7.82					
4.5.82		2.11.82					
6.5.82		11.11.82					
13.5.82		12.11.82					
19.5.82		26.11.82					
20.6.82		2.12.82					
24.5.82		7.12.82					
		14.12.82					

● PART 4 ends:-

Misc 14 (83) 1 27/1

PART 5 begins:-

Gregson to PM 11/2/83

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
MISC 14 (82) 2	1.3.82
MISC 14 (82) 2nd Meeting, Minute 1	17.3.82
E(EA) (82) 13	20.5.82
E(EA) (82) 15	24.5.82
E(EA) (82) 16	25.5.82
E(EA) (82) 7th Meeting, Minutes	27.5.82
E(EA) (82) 17	10.6.82
E(EA) (82) 18	11.6.82
E(EA) (82) 8th Meeting, Minutes	16.6.82
E(EA) (82) 15th Meeting, Minutes	7.12.82
MISC 14 (83) 1	27.1.83

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed *Wayland*

Date *23 April 2013*

PREM Records Team

CONFIDENTIAL

SUBJECT

cc Master



no 15

MK

10 DOWNING STREET

From the Private Secretary

20 January 1983

Regional Policy

Review of Regional Policy

The Prime Minister and the Chancellor had a word this afternoon about the next steps in the Review of Regional Economic Policy, in the light of the Chancellor's minute to the Prime Minister of 30 December.

The Prime Minister said that her initial view had been that she would take the chair in a small group of Ministers (and I minuted Sir Robert Armstrong in this sense on 17 January). But now that she had decided to chair the group of Ministers on rates reform, she would prefer to leave regional economic policy to MISC 14 under the Chancellor's chairmanship. She would be grateful if the Chancellor would report to her the conclusions of MISC 14, and she would then consider whether any further discussion under her chairmanship would be required. The Prime Minister's immediate reaction is against the idea of proceeding to a green or white paper on regional policy, but rather for the Government to reach its conclusions and to publish them as a decision at the due time.

I am sending a copy of this letter to Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

John Kerr, Esq.,
H.M. Treasury.

CONFIDENTIAL

CONFIDENTIAL

Bre



file
cc: F. Mount

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

REVIEW OF REGIONAL ECONOMIC POLICY

You minuted the Prime Minister on 7 January about the Report by officials on Regional Economic Policy which was sent forward to the Prime Minister on 30 December by the Chancellor of the Exchequer.

The Prime Minister has it in mind to discuss these issues with the Chancellor at a convenient moment. Thereafter she intends herself to take the meeting of the Ministers most closely concerned on the membership of the group. She agrees the list set out in paragraph 5 of your minute, with the addition of the Chief Secretary, HM Treasury, the Secretaries of State for Trade and Education and Science, and the Chancellor of the Duchy of Lancaster.

CONFIDENTIAL

17 January 1983

CONFIDENTIAL

PRIME MINISTER

REGIONAL ECONOMIC POLICY

This report ends up facing in the right direction, but its arguments lack incisiveness and leave out several vital points which would have pushed the conclusions further in the right direction.

1. It does not clearly answer the fundamental question: what makes a declining area decline? It cannot be "infrastructure". West Lancashire and West Central Scotland are criss-crossed by motorways. It cannot be "geographical remoteness". Eastern Scotland, East Midlands, and East Anglia are scarcely less remote than their Western counterparts. If it is "declining industry", we have to ask what makes those industries decline? Why should Liverpool decline, and not Rotterdam? Why do British car plants decline and Belgian car plants increase production - within a country as badly hit by recession as the UK?

By elimination, we are driven to accept one single answer to which the report only fleetingly refers: unionisation and union behaviour.

Decline is most marked in heavily-unionised regions where restrictive practices are widespread and notorious and can be reversed only by reducing the degree of unionisation or by the trade unions themselves behaving sensibly. US experience suggested that supposedly declining industries could revive in a remarkable way, when transported to the "Sunbelt" where union penetration was much weaker.

2. Existing REP has tended to operate in exactly the wrong direction. It has concentrated help on large mass-production manufacturing plants in which the unions are almost invariably strong.

There has been very little help for small firms, especially in the service sector - where the unions tend to be weak or non-existent. We spend over £900m on REP. Less than 10% of that goes to service projects - and only a fraction of that is job-related, rather than plant-related.

Thus, again and again REP has rewarded trade union militancy, or at least attempted to mitigate the damage caused by that militancy. And we are financing those rewards by taxing primarily the non-unionised and non-militant sector.

3. The report does say (paragraphs 81 and 109):

B. R.

". . . there is no general reason why investment assistance in the AAs should be closely confined to the manufacturing sector. The objective of expanding employment opportunities is at least as likely to be met by increasing service-sector jobs."

This is an understatement, considering that in a developed economy we may expect about three-quarters of new jobs to be in the service sector.

But the report goes on to miss the point:

"It makes little sense to subsidise setting up a new garage or retail shop if the only effect is to put existing ones nearby out of business. This problem of 'displacement' is more severe for services than for manufacturing, since most serve only a narrow geographical area whereas most manufacturing projects can in principle supply a wide market in the UK and overseas."

On the contrary, manufacturing projects are more likely to be displaced, while service projects are more likely to be additional. The alternative to building a chemical plant in the North-East is often to build a chemical plant in Southampton. The alternative to starting up a beauty parlour or a window-cleaning business on Merseyside is not to start up at all. Declining areas tend to be impoverished, both in small firms and in the service sector. And large service firms often serve the whole country in any case - eg mail order firms and Littlewood Pools. There are also "sunrise" service industries - such as computer software - where we enjoy a relative advantage internationally (which we do not have with many of the manufacturing projects currently subsidised by REP) and which therefore offer a more lasting foundation for the regional economy.

4. The report does attempt to steer the system more in the direction of services, and in paragraph 114 suggests a scheme for grant of £2,000 per job created beyond a certain threshold, but this is only to be additional to a grant for capital expenditure, and "The aim would be that most projects would qualify only" for the latter.

Most of the money would thus continue to go to investment in large capital projects where there would be substitution of capital for labour, although more of these would be in the service sector than before (the building of shops, offices and warehouses, for instance).

Most of the money would still be flowing into the heavily unionised sector. Paragraph 110 makes it clear that "because of the displacement

problem most of this assistance (to service firms) should, as now, be selective, and this will make it unlikely that expenditure need or would go very high".

5. The report rejects general wage subsidies like the old Regional Employment Premium as carrying too much deadweight and being contrary to Community rules (paragraphs 99-101).

But labour subsidies to service-sector jobs are not limited by Community rules, and nor are temporary subsidies. It would be quite possible to have a time-limited subsidy for new jobs in Assisted Areas - a kind of temporary regional devaluation, which might give new small firms, whether in services or manufacture, a good start and encourage existing firms to take on an extra person or expand their activities. The point is that this would offer far less temptation to inefficiency than subsidies to jobs in highly unionised large-scale manufacturing, where an extra man, once taken on, is hard to get rid of.

The report does not explore this type of possibility. Yet without it, many small firms would not qualify for help - as the report itself admits in paragraph 116 - because their expansion is not a clear-cut "investment project" as envisaged in paragraph 108.

6. The whole report is still too oriented towards manufacture and large firms. And it gives no comparative costing of job-creation as between manufacture and services, and between large firms and small firms.

We conclude:

- (i) That the conclusions of the review do not go far enough to justify the upheaval required to implement them.
- (ii) That further work should be done urgently on how to encourage small non-unionised and labour-intensive firms in Assisted Areas. As a guide, it might be assumed that not less than one-third of all REP expenditure would be devoted to such firms.
- (iii) That Ministerial discussion of regional economic policy, either in MISC 14 or another group, should not start until this work is finished.

FERDINAND MOUNT

fm

AW

ALAN WALTERS

cc Mr. Mount
Mr. Scholar ✓

MR. VEREKER

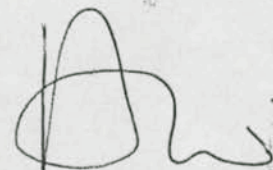
REGIONAL ECONOMIC POLICY

Your note of 11 January quite correctly reflects my views. But of course, I go a little further.

If the purpose of regional economic policy is, as Quinlan expects, to subsidise labour in the development areas, then my analysis suggests that what we are doing is rewarding union militancy, and financing those rewards by taxing primarily the non-unionised and non-militant sector. We encourage thereby militancy and penalise the generally lower income earners in the non-unionised sector. Not a good thing.

A further point which I did not discuss with you, but should have done, is that the regions which suffer high unemployment are often characterised by spendthrift public authorities. This increases the local rates, and usually in Labour dominated areas, is accompanied by various anti-business and pro-Labour practices. Rates bulk very large in taxes on business. Again, a regional economic policy would reward the profligate Left wing local authorities at the expense of the more responsible local electorates. Again, not the sort of thing we want to see.

I think the other point I made was that it is quite impossible for anyone to predict when an area is going to decline on the one hand, or take off on the other. For years everyone predicted that the Southern States of the United States were doomed for ever to be depressed areas, whereas the North East and the Mid-West would for ever grow. But because of high unionisation in North East and the Mid West, combined with spendthrift state and local authorities, business shifted rapidly to the South. Interestingly enough the traditional industries which died in New England, such as textiles and light engineering, set up again in the Southern and South Western States. There they flourish.



11 January 1983

ALAN WALTERS

Please see, too, the Policy Unit's
advise (attached).

Ref. A083/0038

PRIME MINISTER

*Yes -
then I will do
take the
larger meeting and*


Review of Regional Economic Policy

MCS 15/1

In his minute of 30 December covering a Report by officials on Regional Economic Policy the Chancellor of the Exchequer seeks your views on the procedure and forum for handling the Report, and suggests that you and he might discuss how the substance and timing fit into the Government's general political strategy.

Substance of the Report

2. Briefly the main content of the Report is as follows:
- i. It concludes that the strength of the case for a substantial regional economic policy may be debatable in net national economic terms but that the social and political arguments are powerful.
 - ii. It points to various defects in the present policy, of which the main ones are:
 - a. that the investment incentives, notably Regional Development Grant (RDG), are not sufficiently job oriented and are concentrated too much on manufacturing industry;
 - b. that the areas which benefit from the policy (the Assisted Areas) no longer correspond with up-to-date needs (with the West Midlands in particular now having problems more acute than some of the Assisted Areas);
 - c. that the machinery, especially in England, may need to be improved.
 - iii. It puts forward detailed recommendations in respect of a., while leaving open the question of rates of grant; it proposes that c., along with many other issues of detail, should be studied further.

- 
- iv. In respect of b., which is probably the most important issue politically, it makes no proposals but asks Ministers to give guidance on expenditure assumptions, so that options can be worked out both on rates of grant and on area coverage within those constraints.
 - v. It asks Ministers to consider whether they want a major public statement on regional economic policy within the life of this Parliament or would prefer a minimal statement (possibly confined to some limited changes to the RDG scheme).

You will recall that the Government decided soon after taking office substantially to reduce the coverage of the Assisted Areas, but agreed to review certain "double down-gradings" to non-Assisted Areas. The review was conducted by the Ministerial Sub-Committee on Economic Affairs and the results announced last summer.

Handling

3. Like the Chancellor, I agree that this matter cannot now be taken further until the major political issues about regional economic policy have been addressed, ie:

- i. How far is it desirable, mainly for social and political reasons, to distort the normal working of the economy with the aim of reducing disparities in employment opportunities in different parts of the United Kingdom?
- ii. Given a broad judgement about i. (which might be reflected in assumptions about future expenditure on policy instruments - more than, less than, or about the same as in the past) how should the benefit be distributed, ie thinly over a wide area or in more concentrated form over a small area?
- iii. How in particular should the problem of the West Midlands be handled - by merely adding them to the existing Assisted Areas, by substituting them for some existing Assisted Areas, or possibly by reducing the discrimination in favour of existing Assisted Areas?

4. The immediate next step would be for you to have a word with the Chancellor alone, as he himself has suggested, to discuss the politics and the handling. The steps thereafter, subject to your discussion with him, might be as follows:

- i. A primarily political discussion involving the Ministers concerned with regional economic policy designed to establish:
 - a. whether the Government should take major political decisions about regional economic policy before the Election;
 - b. if so, what the broad attitude should be to the political issues at paragraphs 3. i., ii. and iii. above.
- ii. Depending on i., submission of papers by responsible Ministers to the appropriate decision taking forum - probably in this case E Committee, and perhaps thereafter to some special Ministerial Group set up for the purpose.

5. If you want to be involved yourself from the outset in the political discussion at 4.i. above, the right course would be for you to convene an informal meeting of Ministers. This would need to involve, as a minimum, the following:

Chancellor of the Exchequer
 Secretary of State for Northern Ireland
 Secretary of State for the Environment
 Secretary of State for Scotland
 Secretary of State for Wales
 Secretary of State for Industry
 Secretary of State for Employment

Yes You might also wish to add the Secretary of State for Education and Science since he was a member of MISC 14 which initiated the review in the first place and has strong and critical views about existing regional economic policy; and also the Chancellor of the Duchy of Lancaster because of the political implications.

Yes



6. If however you would prefer to let the Ministers concerned have the broad political discussion in the first instance without your being involved but reporting the conclusions to you, the right course would be to follow the Chancellor of the Exchequer's suggestion of a discussion in MISC 14 which would need to be augmented for this item so that it corresponded with the list in paragraph 5. above, with possibly one or two other additions.

7. I hope that this minute can serve as a brief for your initial talk with the Chancellor. We shall be ready to advise further in the light of developments.

ROBERT ARMSTRONG

7 January 1983

CONQUEROR



7 JAN 1985



COOPERATOR



Prime Minister (2)

To be aware.
I will resubmit

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

this to you with

PRIME MINISTER

MS

briefing and advice

- I suspect that it is more

politically sensitive than

this minute suggests.

REVIEW OF REGIONAL ECONOMIC POLICY

Your Private Secretary's letter of 4 May conveyed your agreement that an inter-departmental working group of officials, under Treasury chairmanship and MISC 14 supervision, should undertake a review of regional economic policy. The group was to aim to produce a substantive report by the end of December.

MCS 6/1

in folder
attached
to file.

2. The group has now produced its report and I attach a copy. You may like to glance at Part VII (pages 73-78) which gives the main conclusions and poses some basic questions about the next steps.

3. The report is unexciting and there is a good deal more work to be done if specific changes are eventually to be made on the lines suggested. But I regard it as a workmanlike effort, and a broadly acceptable basis for taking matters forward. The next step might be to circulate it to MISC 14 (augmented as necessary) and to carry discussion forward there.

4. Before that is done, however, I should be glad to know whether you have views on procedure or forum. You might think it useful for us to have a word together about how we see the substance and timing of all this fitting into our general political strategy - paragraphs 199-202 of the report are relevant.

5. I am sending a copy of this minute to Sir Robert Armstrong.

lpm

(G.H.)

30 December 1982

H M Treasury Document

Description REGIONAL ECONOMIC POLICY, DECEMBER 1982:
Report by Interdepartmental Group of Officials.

Reference RREP(83)1

Date 6 January 1983

This document has been removed and destroyed.

When released HM Treasury documents are available in the appropriate
HM TREASURY CLASSES

Signed Wayland

Date 23 April 2013

PREM Records Team



2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/18400/82

Your ref:

MSOM
ms 20/12

17 December 1982

Dear John

ADDITIONAL ENTERPRISE ZONES

My Secretary of State has seen the Scottish Secretary's letter of 2 December to the Chancellor, about keeping open the possibility of a further new zone in Scotland. He has no objection to Mr Younger's proposals.

/ I am copying this to the private offices of the recipients of Mr Younger's letter.

Yours sincerely
Rose Bright

R M F BRIGHT
Private Secretary

John Kerr Esq
PS/The Rt Hon Sir Geoffrey Howe QC MP

Reg Pol. Review. A4



MINISTER OF STATE FOR
THE ARMED FORCES

D/MIN(AF)/PB/11/2/2

MINISTRY OF DEFENCE Ms 15/12
MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-218 2216 (Direct Dialling)

01-218 9000 (Switchboard)

Regional Policy (2)
Prime Minister

cc: [unclear]

14 December 1982

Dear Michael,

[Handwritten mark]

CHATHAM: ENTERPRISE ZONE

I was grateful for your letter of 7 December about the inclusion of part of Chatham Dockyard in the Enterprise Zone for NW Kent.

As I expect you will have heard, the matter was discussed at the meeting of Norman Lamont's Group on the same day. I was glad to be able to welcome your helpful offer to announce that consideration will be given in 1984 to the inclusion of part of the dockyard in the EZ. I think this deals with the problem for the moment, although I note what you say about the need for the active co-operation of the local authorities.

I am copying this as before.

Yours truly,

Peter

PETER BLAKER

Rt Hon Michael Heseltine, MP

Regional Policy,
Review, P4.

75 DEC 1982

11 12 1
10 5 2
9 4 3
8 7 6 5 4



NBPM ^{Walt Ind} sc JV
ms 7/12

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/18305/82
Your ref:

7 December 1982

Dear Peter

CHATHAM - ENTERPRISE ZONE

Thank you for your letter of 26 November about the inclusion of part of the Dockyard in the Enterprise Zone for North West Kent.

I appreciate what you say, and I was of course aware of the Consultants' views on the effect of the EZ on the disposal of the Dockyard if no part of it was included. Anyway, I should be happy to accept in principle the compromise you propose. I should, however, need to make it clear that the consideration to be given in 1984 for the inclusion of part of the commercial Dockyard in the EZ would need to be made in the light of developments between now and then in Enterprise Zones generally and in the North West Kent Enterprise Zone in particular. You will of course be aware (though I do not think it necessary to stress the point in the statement) that it would not be legally possible for me to make a later addition of this kind to an existing Enterprise Zone without the active co-operation of the local authority immediately concerned. So much may depend, as you suggest, on developments between now and 1984 which may influence the attitude of the Gillingham Council.

I am copying this letter to Norman Lamont and the other recipients of your letter.

Yours ever

MICHAEL HESELTINE

21 DEC 1982





Reg News for
SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Prime Minister (2)

Ms 2/12

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

2 December 1982

mf
Dear Geoffrey,

ADDITIONAL ENTERPRISE ZONES

Announcements were made on 15 November about the outcome of the bidding for the second round of Enterprise Zones, which we originally agreed should be for seven new zones in England and one each in Northern Ireland, Scotland and Wales. In the event there were nine new zones and two extensions announced for England; one new zone for Wales with a further zone likely to be designated in the near future; and one each in Scotland and Northern Ireland.

At the time we were discussing these matters in correspondence I decided not to ask for a further zone in Scotland, nor do I want to move on this at present. But I would like to keep open the possibility of designating a further new zone in Scotland, particularly if changed circumstances were to make an EZ an appropriate response to difficult local conditions. I hope colleagues would not object to this.

As before, I am sending copies of this letter to the Prime Minister, to the members of E Committee and to Nicholas Edwards and John Nott.

Yours well,

Cave

Ray Rd, Revans, Pt 4



DEC 2 1982

Prime Minister ② JV



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB

(Direct Dialling)
(Switchboard)

MINISTER OF STATE FOR
THE ARMED FORCES

D/MIN(AF)/PB/11/2/2

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 - D of O (C)
 - Hd of DS16
 - Hd of DS20
 - Hd of CFS Coord
 - Hd of Defence Lands

26 November 1982

- Copies external:
- Prime Minister
 - Members of E Committee
 - S of S for Scotland
 - S of S for Wales

Dear Michael,

CHATHAM - ENTERPRISE ZONE

Thank you for your letter of 8 November 1982 about the Enterprise Zone in North West Kent.

I am disappointed that you were not able to persuade the local authorities concerned that part of Chatham's Commercial Dockyard should be included in the new EZ, as I had felt that the arguments set out in my letter of 22 October were strong ones.

I accept that this area will not come on to the market until April 1984, and it may be that this delay will help us to find a solution to the very real difficulties in which we will find ourselves if the EZ goes ahead with the whole of the Commercial Dockyard excluded. I am writing separately to Norman Lamont proposing that the Ministerial Group which he chairs should have an early meeting to decide the philosophy of our approach to the disposal of the Commercial Dockyard: but I shall be surprised if our colleagues do not share the Consultants' view that your Department should attempt to dispose of it in accordance with a planning brief to be negotiated with the local planning authorities allowing a reasonable mixture of dock-related, industrial, housing and recreational uses. That course seems likely to be in the best interests of the Medway towns, to leave the Government with a less troublesome political legacy in the area and probably - although obviously one must be cautious at this early stage - to be in our best medium to long term financial interest too. But the pursuit of this planning brief course would be greatly frustrated, as the Consultants have made very clear, by the establishment of an EZ from which the whole of the Commercial Dockyard was excluded.

From MOD's point of view, however, this is not a matter which absolutely has to be settled now, so long as the door is seen to be left open for a favourable outcome later. It could be that the local authorities would be less opposed to the inclusion of part of the Commercial Dockyard in the EZ if it was clear that it would be additional to the areas you already have in mind for inclusion in it.

/And ...

Rt Hon Michael Heseltine MP

And moreover in the intervening period we must hope that the PSA's discussions with the local authorities about the planning brief to be adopted may succeed in removing some of their fears about our intentions and perhaps also in inducing a greater sense of realism about the future (especially in the case of Gillingham). If, for example, the PSA found that there were companies willing to set up business in part of the Commercial Dockyard and to create jobs there, provided that that area was included in the EZ, that could well concentrate minds and perhaps lead to a somewhat reduced concern about such problems as traffic in central Chatham.

I wonder, therefore, whether you would be willing to say that when the Chatham Commercial Dockyard becomes surplus to Defence requirements at the end of March 1984 you would wish to consider whether there was a case for extending the EZ to include a small part of it (say about 50 acres). Although not the outcome I had hoped for, I think this would probably be sufficient to enable us to make progress with the planning brief approach if that is the course which Norman Lamont's Group decides should be adopted.

I am sending copies of this letter to the recipients of yours.

*Yours ever,
Peter*

PETER BLAKER

29 NOV 1982

10 11 12 1 2 3 4 5 6 7 8 9



2 pp

~~Reg. Dept~~

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/17820/82

NBPM

Your ref:

MS 296

26 November 1982

See down

will request & required

Thank you for your letter of 12 November advising me of the consequences for employment on Merseyside of a possible agreement between the wire rod producers. I understand that the agreement was not reached. While I am relieved that over 300 jobs on Merseyside have been reprieved, I do understand that there can not be any easy options for an industry burdened with over-capacity.

I was grateful for your detailed explanation and would like to be kept abreast of any developments in this case or any other affecting Merseyside.

I am copying this letter to the recipients of yours: The Prime Minister, The Chief Whip, Members of E(EA), and Sir Robert Armstrong.

you are

MICHAEL HESELTINE

The Rt Hon Norman Lamont

Regional Pol. Review of, Pt 4

201.11.2

1 2 1
2 3
3 4



wh/ndm

Reg. Post

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)
Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)
From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

12 November 1982

Dear Chancellor

I understand that Michael Heseltine will be making his statement about further EZ designations in England on 15 November and that George Younger will be announcing his decision on the successful applicant in Scotland on the same day. I now propose to follow suit so far as the Welsh decisions are concerned.

... The form of my intended announcement is attached. I believe it will be acceptable to you. It will be welcomed not only in Delyn but in those other areas of Wales which have interests in EZ development. I hope to be able to report on my further choice for designation before the end of the month.

I am sending copies to recipients of my letter of 10 November.

for → signed
Heighton Dant

Approved by the Secretary of State
and signed in his absence

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Parliament Street
LONDON SW1P 3AG

PARLIAMENTARY QUESTION:

To ask the Secretary of State for Wales, whether he is now in a position to make a statement about further Enterprise Zones in Wales.

DRAFT ANSWER

Following consideration of proposals from a number of local authorities in Wales, I have decided that the location of a further Enterprise Zone in Wales should be Flint. I shall be discussing with the Delyn Borough Council the exact boundaries of a Zone, planning proposals and administrative arrangements.

I am also examining the possibility of one further Enterprise Zone development elsewhere in Wales, and I shall be having early consultations with the local authorities about this.

Reynolds Pol
ca

MBPM

MS 12/7

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

12 November 1982

The Rt. Hon. Michael Heseltine, MP
Secretary of State for the Environment,
Department of the Environment
2 Marsham Street
LONDON. S.W.1

Dr Michael

ADDITIONAL ENTERPRISE ZONES

Thank you for your further letter of 10 November setting out your revised proposals for additional zones in England.

I am content with what you propose, and I agree that you should announce this on Monday.

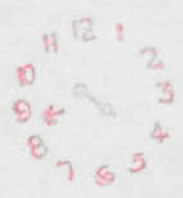
I hope that the Scottish and Welsh announcements can be made at the same time. I am content with George Younger's proposal - his letter of 10 November to me - for a Tayside zone at Dundee and Arbroath. I am also content with Nick Edwards' proposal for a new zone at Flint, and I accept that he should announce that he is considering a further increase in EZ coverage in South Wales. (This is on the understanding that the increase in coverage will be a choice either of a new zone or of an extension to the Swansea zone.)

I am copying this letter to the Prime Minister, to the members of E Committee, and to George Younger, Nicholas Edwards, John Nott, and Sir Robert Armstrong.

[Handwritten signature]

GEOFFREY HOWE

12 NOV 1982





Prime Minister (2)

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

11 November 1982

We've now gone up
to 9 Enterprise Zones

MUS 11/11

see buff

ADDITIONAL ENTERPRISE ZONES

I am most anxious to include an announcement on additional EZs in my statement to the House next Monday.

I have ^{TPM} seen Norman Tebbit's letter of 9 November and Patrick Jenkin's of 10 November. Both have agreed with 6 of the zones I recommended in my letter of 2 November but have commended adversely on my proposal for 2 new zones in the East Midlands and none in the Northern Region.

As far as the East Midlands zones are concerned I believe the zone in North East Derbyshire would assist greatly in relieving the high level of local unemployment which is not reflected in the figures for the TTWA as a whole whilst a zone in Wellingborough would encourage development in the area of this committed local authority where unemployment is above the regional average.

I do acknowledge, however, the high level of need in Middlesbrough which Norman and Patrick have stressed. I therefore propose that the zone in Wellingborough should be cut back below their original bid and that a similar relatively small zone should be allocated to Middlesbrough. Although this would result in 9 zones for England the overall acreage would be broadly in line with that I envisaged for the 8 zones set out in my earlier letter. As I said then the progress being made in the existing zones and the enthusiasm for the EZ concept by the Local Authorities to my mind clearly outweigh the doubts felt by Patrick and Norman over the increase in the number of new zones beyond the 7 originally allocated for England.

On the question of extensions to existing zones I am pleased that Patrick agrees with that for Wakefield. Although both he and Norman express doubts over the Speke extension I believe the opportunity thus provided to bring private investment into this difficult area justifies the addition.

For the reasons set out above I think a decision to establish the 9 new zones and to extend the existing zones at Wakefield and Speke is the right one. I therefore propose to make the announcement along these lines next Monday. No doubt Nicholas Edwards and Geogre Younger will wish to co-ordinate the announcements for Scotland and Wales.

I am copying this to recipients of my earlier letter.

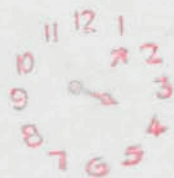
MICHAEL HESELTINE

Rt Hon Sir Geoffrey Howe QC MP

Regional Policy

Review: P14

11 NOV 1982



of 3v



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

NB RM

CONFIDENTIAL

MCS 12/11

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
2 Marsham Street
London SW1P 3EB

11 November 1982

Handwritten signature

ADDITIONAL ENTERPRISE ZONES

I have seen a copy of your letter of 2 November to Sir Geoffrey Howe giving details of the proposed additional enterprise zones in England. I am pleased to see that you intend to take my Department's comments on the extension of the Wakefield zone into account and, subject to this, I have no objection to your proposals. We would, however, like to see development of the Scunthorpe and Wellingborough zones phased to allow the agricultural land to remain in production for as long as possible. I should be grateful if you would ask the authorities concerned to bear this in mind.

Copies of this letter go to other members of E Committee, George Younger, Nick Edwards and Sir Robert Armstrong.

Large handwritten signature

PETER WALKER

CONFIDENTIAL

Regional Policy

Review

pt 4

1 JUL 1962

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11

Prime Minister (2)

cf sv.

ms 20/11



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

10 November 1982

The Rt Hon Michael Heseltine MP
Secretary of State for the
Environment
2 Marsham Street
London SW1

Dear Michael,

ADDITIONAL ENTERPRISE ZONES

You sent me a copy of your letter of 2 November to Geoffrey Howe with your recommendations for the additional Enterprise Zones which we agreed earlier in the summer should be designated.

2 I am not at all sure that I see the substantial response from local authorities as justification for departing from our earlier agreement on the number of additional zones to be created in the UK generally and in England specifically. Given the fact that the Enterprise Zone concept is still something of an experiment and, as we noted when we agreed on its extension, the paucity of firm evidence on which to base decisions, my own feeling is that we should stick to our original decision and that we should therefore think in terms of seven additions to the experiment in England.

3 So far as the individual candidates are concerned, I strongly support six of those which you recommend: Allerdale, North East Lancs, Scunthorpe (assuming that the EIE aspect can be settled satisfactorily), Rotheram, Telford, and North West Kent (assuming that the details - including the question of including some dockyard land - can be settled satisfactorily).

4 For the seventh zone, however, I do not see either of the East Midlands areas as being particularly strong starters in their own right: although each of them has some industrial and employment problems, they do not seem to me to amount to the kind of run-down areas which the EZ concept is intended to tackle. And this view is greatly strengthened if they are compared with some other applicant areas whose evidence of need is very much greater. I find it difficult to accept, for example, that we could justify establishing two new zones in the East Midlands at the same time as overlooking the North East in this round. Certainly the existing zones at Tyneside and Hartlepool may not be developing as rapidly as some of the others, but given the

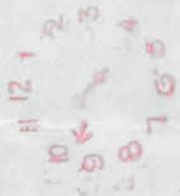


nature of the region generally this is surely only to be expected and can be presented as an argument for trying again here. The Middlesbrough case, as you point out, is a strong one on grounds of need, there is high (and persistent) unemployment and an unsatisfactory industrial structure in that there is over-dependence on a small number of capital intensive industries; the orientation towards smaller firms and service activities which an EZ seems likely to give would be particularly advantageous, therefore. And I understand that your Department and the local authority are already actively involved in regenerating the area and that land is immediately available, so that quick results could be expected. I would therefore see Middlesbrough as by far the strongest candidate for the seventh place. Failing this - or if we were in the event to agree on eight new zones - then I would see a very strong candidate in the North West - Oldham. This is another area where the need is manifest and where the site, I understand, fulfils all the requirements for an EZ. Certainly, of course, there is already an EZ within the Greater Manchester area, but Oldham is just about on the opposite side of the conurbation, so that the risks associated with competition would not seem likely to be great. As for the two extensions you propose, I can see little justification in normal EZ terms for adding the area you suggest to the Speke zone. However, I agree with the small addition you propose to Wakefield.

5 I am copying this letter to the Prime Minister, Geoffrey Howe, other members of E Committee, George Younger, Nicholas Edwards and John Nott.

Yours
Patel

10 NOV 1982



Prime Minister (2)

✓ JV

ms 11/11



Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)

Oddi wrth Ysgrifennydd Gwladol Cymru The Rt Hon Nicholas Edwards MP From The Secretary of State for Wales

10¹¹ November 1982

De Geoff

I have now completed my assessment of the proposals for a second Enterprise Zone in Wales. My immediate conclusion (on the basis of the allocations in your announcement of 27 July) is that a site in North Wales, at Flint, should be designated. In total I received 10 applications from authorities in all parts of urban Wales but I regard the claims of North Wales and of Delyn BC in particular, as the most pressing. You will recall that at the time of the first round of designations we considered the idea of designating a site at Shotton as well as the Swansea zone. The area has suffered particularly from the rundown in steel and textiles. The rundown at Shotton and the closure of Courtaulds Mills have made the heaviest contribution to a loss of over 6,000 in major employers in recent years and helped to lift current male unemployment levels to 19.3% with significantly higher levels in the town of Flint itself.

The site I have in mind following preliminary discussions with the local authority is in the centre of Flint and to the north west and totals about 245 acres (including three derelict Courtaulds Mills). This latter derelict land will take time to clear and develop but adjacent to it are other parcels of land, some serviced, some in the process of development and some with available advance factory accommodation. The site in fact provides a basis for both short and longer term development, with both public and private sectors available to play a part. The rates payable on the proposed zone in 1982/83 are £226,600 - not exceptional for an area of this size and type.

I hope an early announcement can be made, presumably as part of a package covering all four countries. I see however from Michael Heseltine's letter of 2 November that ideas are being canvassed for additional allocations in England, beyond those in the 27 July announcement, and extensions of existing zones.

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Parliament Street
LONDON SW1P 3AG

/I am ...



I am not sure about the sense of departing from the basis agreed in July, but if Michael's list is agreed I would want (in line with my earlier wish to plan for two additional zones in Wales) to see some further corresponding increase in EZ coverage in Wales beyond the existing Swansea and the proposed Flint zones. Local authorities in Wales with unsuccessful claims would, I believe, otherwise have cause for complaint and Swansea might not unreasonably ask why they had not had the opportunity to present a case for expansion - an opportunity so far denied to them.

I am sending copies of this letter to the Prime Minister, members of E Committee, George Younger and John Nott.

J. *as*

Nick



2 m/s
SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Prime Minister (2)

Ms 11/11

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3HE

10 November 1982

Dear Geoffrey,

I am grateful to Michael Heseltine for sending me a copy of his letter to you of 2 November about the bids in England for next round of Enterprise Zones.

The response in Scotland has been even more enthusiastic than I had expected and I have had 25 applications for the one zone on offer.

I would like the new zone to be in the east of Scotland and well clear of competition with Clydebank and have therefore decided to establish a Tayside zone, with sites at Dundee and Arbroath. This would be subject to further consultations with the local authorities about their cooperating in a combined zone on separate sites. This has considerable political advantages compared with concentrating solely on sites in Dundee. I hope it will be possible to make the Scottish announcement in parallel with Michael Heseltine's announcement, which I now understand is scheduled for Monday 15 November.

I am copying this letter to the Prime Minister, to the members of E Committee, and to Nicholas Edwards and John Nott.

Yours Wes,
George.



REGIONAL POLICY

9/11

Caxton House Tothill Street London SW1H 9NAF

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

Prime Minister (2)

Enterprise Zones

seen to be a flop.

MS 9/11

The Rt Hon Michael Heseltine MP
Secretary of State
Department of the Environment
2 Marsham Street
LONDON SW1

9 November 1982

Dear Secretary of State

ADDITIONAL ENTERPRISE ZONES

Thank you for sending me a copy of your letter to Geoffrey Howe of 2 November about your choice of new Enterprise Zones (EZs).

As you know, I expressed reservations about your original proposal to establish further Enterprise Zones (my letter of 28 April 1982). My concern was that although some of the existing zones had had a good psychological impact locally, there was as yet little concrete evidence that the benefits of the EZs were commensurate with their costs. Since then, of course, we have received the draft Year Two Report of the EZ monitoring study which has uncovered no concrete evidence of EZs having produced any net gain at a national level and little evidence of net gains at local level. The other important point to emerge from that study is the extent of public expenditure required for infrastructure and site preparation in the EZs, which was not of course taken into account in estimating the cost of the original EZ package. In the light of all this I remain concerned about the value of creating more EZs in England than the seven we originally agreed in July, and the possible extensions of existing zones. I might add that I find it hard to fit the extension of the Speke zones into any of the normal criteria for EZs.

If the proposed increase does go ahead I have to say that I am very surprised that your list includes no sites in the Northern Region. I find it difficult to see how we could defend this, bearing in mind that the Northern Region has the highest unemployment rate in Great Britain. I fully accept that at present Northern Region has the greatest share of EZs in terms of total area covered. However, people do not generally see the position in those terms, but in terms of the number of zones in each Region. And on the basis of your proposals the score would add up to four EZs for the North West, three each for Yorkshire and Humberside and the East Midlands and only two



for Northern Region. This surely cannot be right. Furthermore, I cannot see how establishing an EZ in Middlesbrough, the strongest case on grounds of need in Northern Region, could really damage the prospects of existing EZs in the Region. How can we justify ignoring a candidate like this whose unemployment rate is currently 20.1% (Teesside travel to work area) and yet include in the list Wellingborough with unemployment at 14.4% and North East Derbyshire where the rate for the local (Chesterfield) TTWA is 14.5%? I do feel that you should drop the two latter sites and include a candidate from Northern Region instead.

I am copying this letter to the Prime Minister, members of E Committee, George Younger, Nicholas Edwards and John Nott.

Yours sincerely

Christine Haworth

(Approved by the Secretary of State
and signed in his absence)

REGIONAL POLICY: CREATION OF ENTERPRISE ZONES PT 4.

29 NOV 1982

1 2 3 4 5 6 7 8 9 10 11 12

pl/a
Replied
copy

Prime Minister (4)

You might be amused by this.
A somewhat cynical DEM view of
regional policy : plus ca change.

PERSONAL



Department of Employment
Caxton House, Tothill Street, London SW1H 9NA
Telephone Direct Line 01-213 4570
Switchboard 01-213 3700

Alas

M E Quinlan Esq CB
Treasury
Parliament Street
London SW1P 3AG

Heads!

5 November 1982 (sic)

Dear Michael,

RREP

→ Mary

Actuated solely by a desire to help, I offer the enclosed
draft of the Committee's final report.

[I was the
Secretary]

Yours
Dain a West.
D T WEST

cc Mr Brand
Mr Stanton

MW G...
c MW Ball ✓
A collection item
R
8/11/82

REVIEW OF REGIONAL POLICY

DRAFT REPORT BY OFFICIALS

Introduction

1. We have earnestly considered everything relevant to regional policy, and many other interesting subjects as well. We and our six sub-groups have circulated over 100 papers, and many of us have read all of them, or at any rate their conclusions.

Effectiveness

2. As a result, we have no idea what regional policy has actually accomplished in the last 40-50 years. We suspect that any benefits it has brought to the regions have been outweighed by the damage it has inflicted on the national economy. In any case, we are pretty sure that regional policy has been increasingly ineffective in the 1970s, and that it will be positively harmful in the 1980s. But we suppose that Ministers are attached to it, and so we recommend that it should be continued. We are told that this will help to dish the Scot Nats, and make up for the Massacre of Glencoe.

A Possible Future Scheme

3. The emphasis of regional policy could be shifted towards service industries, though we are instinctively opposed to reinforcing success rather than encouraging failure, and a genuflection could be made in the direction of small firms, since that is the current buzz-phrase. But the principal change should lie in the introduction of a Layard-type marginal labour subsidy. Hitherto this has always been reckoned a waste of money, but perhaps wrapping it up in regional policy makes a difference.

A Geographical Framework

4. Regional policy has always been concerned with the need for jobs. Inner cities policy, on the other hand, is concerned with the number of black one-parent families lacking an inside lavatory. Obviously these two strands of policy should be combined, though we cannot for the life of us see how, or why. Bringing rural policy into the combination is more difficult, because those concerned with it work in Bristol and it is impossible to discover what they are doing. But we attach a helpful diagram from the Development Commission

which merits the widest possible circulation as the Old Country's challenge to the Harvard Business School. (Children of all ages will be thrilled by the game of getting from the Co-operative Development Agency to the English Tourist Board without taking a Local Initiative).

Regional Organisation

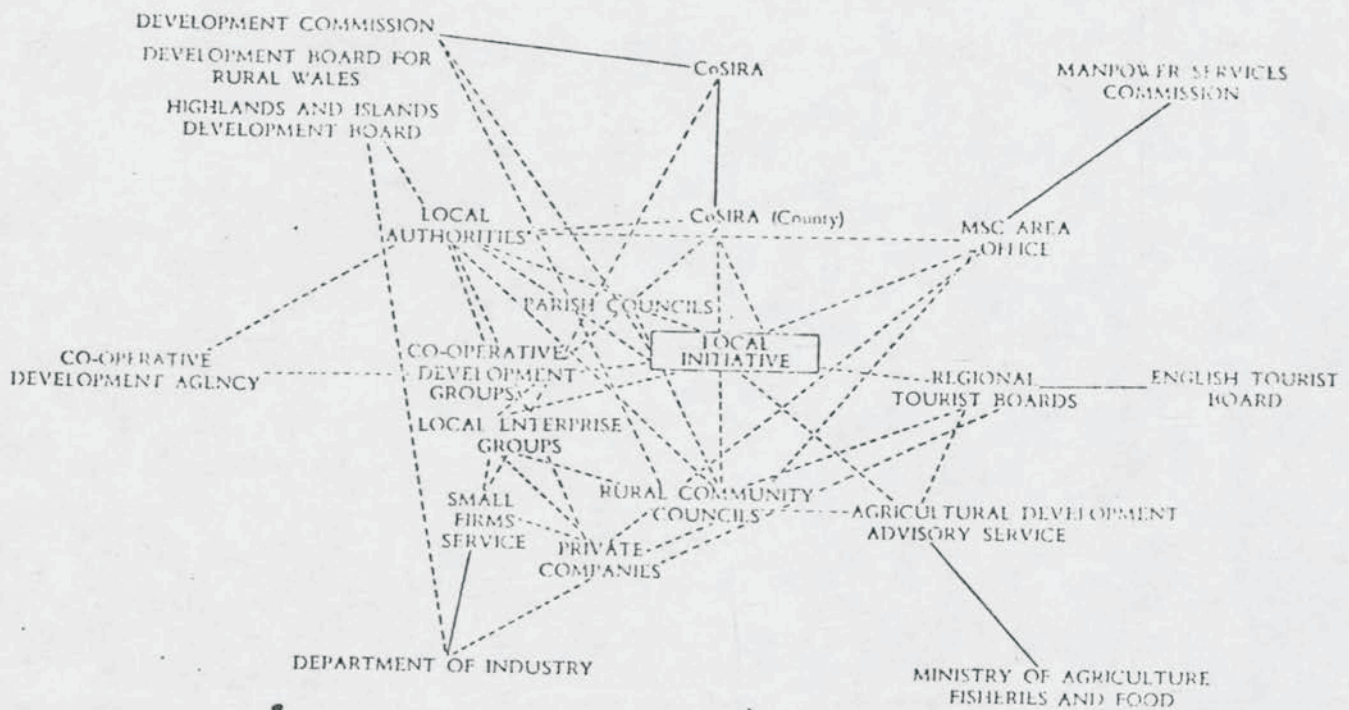
5. All this uncertainty makes it easy to understand why we have adopted the classic bureaucratic response to any difficulty of fiddling with the organisational framework. (Whereas ^a soldier lost on manoeuvres cries: "The map's wrong", a civil servant boldly sets out to change the map). We have accordingly rambled happily through the by-ways of new Ministries, or Ministerial Committees, joint Regional Offices and rotating Chairmanships. Like regional policy itself, all this may help, though it will probably hinder, and it will at least create additional jobs for civil servants - some of them in the regions.

Envoi

6. In making our recommendations we are fortified by the conviction that they will be ignored by any Government which emerges from the next election. After all, it is better to recommend hopefully than to arrive at the point where one has to put one's recommendations into effect.

Appendix 2 Developing Local Initiative – Some of the agencies involved

The diagram attempts to illustrate the *main* relationships between the agencies involved, not all.



----- partnership, advisory, financial relationship ——— direct 'control' relationship

Reg Pol: Review PTL



Prime Minister

(2)

cc J.V.
Rec'd P.1

2 MARSHAM STREET
LONDON SW1P 3EB

Mus 4/11

01-212 3434

My ref:

Your ref:

2 November 1982

De Beffoy

ant

ADDITIONAL ENTERPRISE ZONES

Following your announcement on 27 July about our intention to designate additional enterprise zones, my Department has received 55 applications from local authorities and new town corporations in England. I attach a list of these at Annex A. This is indeed a significant response, and reflects both the economic difficulties which face many areas of the country and also, more importantly, a growing willingness on the part of local authorities to adapt to the needs of the business community.

I believe that the case for additional zones continues to be demonstrated by the results which we are seeing in the existing zones. I met the promoters of these zones last week, and the progress review which they gave me was graphic evidence of the achievement of the zones, over little more than a year, in stimulating activity in areas which has previously been in serious decline. I enclose at Annex B a summary of this progress review, which I propose to issue shortly as a press release.

In deciding on the applications for the additional zones in England, I have had regard to the attitude of the applicant authorities, as well as to the development potential of the site proposed and the needs of the areas. I have also aimed at a geographical balance between the additional zones and those already in existence. While a zone as successful as Corby would feel little effect from a competitor in relative proximity, others, especially on Tyneside and in Hartlepool are less strongly placed. Overall I have concluded that particularly strong cases for new zones have been made by eight Authorities in England. This is one more than the seven initially allocated for England but the increase is, I feel, justified by the interest expressed and the quality of the case for the zones I am proposing. In addition, as I explain below, I consider that we should look favourably upon two applications for extensions to existing zones. Details of these zones are at Annex C.

I have considered the applications on a regional basis. In the Northern Region, we received 7 applications, of which that from Middlesbrough had the strongest case on grounds of need. There are, however, already 560 ha of land in the existing zones at Tyneside and Hartlepool. I believe these present sufficient opportunity for enterprise in the Northern Region, and an additional zone could well damage the prospects of those already in place. Therefore in spite of the problems of the area, I am not proposing a new zone.

In the North West, we received 17 applications of which I propose 2 should be accepted. These are in Allerdale, which would be based on redundant BSC land and some serviced industrial sites in Workington; and one in North East Lancashire, which would take in a number of sites programmed for industrial development in the areas of Burnley, Hyndburn, Pendle and Rossendale which are clustered along the M65 corridor.

In Yorkshire and Humberside, we received 8 applications. Again I propose 2 additional zones for this region: one for Scunthorpe, which would include redundant BSC land and a vacant industrial estate, and possibly 21 ha of EIE land nearby; and one for Rotherham.

In the West Midlands, we received 9 applications. I propose a zone for Telford which in September 1982 had the highest unemployment rate in the region (20.9%).

In the East Midlands, there were 6 applications. The only existing zone in this region is Corby, which has itself applied for its zone to be extended on the grounds that only 10% of the zone land remains uncommitted to development. I do not propose that Corby's case be accepted, since I take the view that it has now built up a momentum of development that does not need this particular further boost. I do feel that the region would benefit from the provision of enterprise zone opportunities elsewhere, however, and again I propose two additional zones. One would be in North East Derbyshire where a zone would undoubtedly help mop up some of the unemployment caused by the rundown of the local mining industry. The other would be in Wellingborough, a committed local authority facing an unemployment rate above the regional average and offering a site with good prospects for rapid development.

We received no applications from the Eastern region. In both the South West and Greater London we received 2 applications. Although the clear commitment of the local authority in Wandsworth rendered the bid attractive neither that nor the other sites proposed recommended themselves for enterprise zone designation, and I am recommending there should be no additional zones in these regions.

In the South East we received 4 applications. Of these the strongest cases were made in the bids from Rochester/Gillingham and from Gravesham. I have discussed their bids with the local authorities. As you know the proposed rundown of Chatham Dockyard will cause considerable problems throughout this area and the Councils have now agreed to operate a joint zone with immediately available land in each of the three Authorities. Their bids in aggregate come to some 200 hectares but the Authorities are aware that in discussion with us, the area will have to be reduced to about half that size.

Peter Blaker has written to me advocating the inclusion of some of the dockyard land in the zone. I will be replying separately to him.

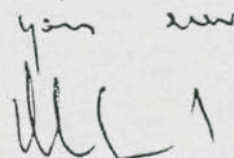
Finally I have had a number of bids for extensions to existing zones. I have dealt with the Corby proposals above. The only two extensions I am keen to approve are those to Wakefield and Speke. In Wakefield, 2 small sites have been proposed as satellites to the existing zone at Langthwaite Grange, one of 15 hectares, the other of 29 hectares. Wakefield have demonstrated that Langthwaite Grange has taken off over the last 12 months, so that virtually all 55 hectares of the zone are likely to be committed within a couple of years. I know that Peter Walker's Department objects to the prospect of development on 13 hectares of the second proposed satellite; I therefore recommend that Wakefield be given an extension of 31 hectares which would be of considerable significance in relieving local unemployment in the mining communities concerned.

At Speke, Liverpool City Council have applied for an extension of the zone to include 2 areas which were left out of the existing zone at designation, as well as a further area of some 40 hectares on the southern airfield of Speke airport. I am not persuaded to drop my original objections to the first 2 areas, but I am recommending that the southern airfield site be given EZ designation. Merseyside County Council intended to concentrate airport operations on the southern airfield, and are looking for private investment to help develop an integrated hotel and terminal complex. The proposed extension, which is contiguous to the existing zone, would enhance the prospects for securing such private investment.

To summarise I am recommending additional zones at Allerdale, North East Lancs, Scunthorpe, Rotherham, Telford, North East Derbyshire, Wellingborough and North West Kent and extensions to existing zones at Wakefield and Speke.

I am anxious to minimise the period of uncertainty which could be a deterrent to new investment in the areas which have submitted bids. I would therefore be grateful for a response by 10 November to allow an early announcement.

I am copying this letter to the Prime Minister, members of E Committee George Younger, Nicholas Edwards and John Nott.

you see


MICHAEL HESELTINE

ADDITIONAL EZs: BIDS RECEIVED

NORTHERN REGION

Sunderland Borough Council
South Tyneside Borough Council
Middlesbrough Borough Council
Aycliffe Development Corporation
Gateshead Metropolitan Borough Council
Stockton on Tees Borough Council
North Tyneside Metropolitan Borough Council

YORKSHIRE & HUMBERSIDE

Scunthorpe Borough Council
Rotherham Metropolitan Borough Council
Great Grimsby Borough Council
Barnsley Metropolitan Borough Council
Doncaster Metropolitan Borough Council
Glanford Borough Council
Kingston upon Hull Borough Council
Wakefield Metropolitan Borough Council

NORTH WEST

Burnley Borough Council*
Hyndburn Borough Council*
Pendle Borough Council*
Rossendale Borough Council*
Tameside Metropolitan Borough Council
Allerdale District Council
Bolton Metropolitan Borough Council
Rochdale Metropolitan Borough Council
Halton Borough Council
Ellesmere Port and Neston Borough Council
Oldham Metropolitan Borough Councils
Skelmersdale Development Corporation
Barrow in Furness Borough Council
Bury Metropolitan Borough Council
City of Manchester Metropolitan Borough Council
City of Liverpool Metropolitan Borough Council
Central Lancashire New Town

WEST MIDLANDS

City of Birmingham
Newcastle under Lyme Borough Council
Sandwell Metropolitan Borough Council
Wrekin District Council
Walsall Metropolitan Borough Council
Cannock Chase District Council
City of Stoke on Trent
Coventry
Worcester

* also submitted a joint bid

EAST MIDLANDS

Wellingborough Borough Council
Corby District Council
Boston Borough Council
Kettering Borough Council
Mansfield District Council
North East Derbyshire District Council

SOUTH EAST

Rochester upon Medway Borough Council
Gillingham Borough Council
Medina Borough Council
Gravesham Borough Council

SOUTH WEST

Plymouth City Council
Woodspring District Council

LONDON

Wandsworth London Borough Council
Hammersmith & Fulham

ENTERPRISE ZONES: PROGRESS REVIEW

Tyneside

In Newcastle, Vickers have almost completed their "Project Dreadnought" development at Scotswood, which comprises 36,000 sq m of new floorspace and will employ 700 people. Clearance of the Elswick site to ground level, to allow for redevelopment, is planned to begin in Spring 1983. The 22 small units built by Mercian Buildings (4,000 sq m in total) are open. Lucas have agreed to buy 1½ acres of the Noble Street site from the City Council. In Gateshead, Legal and General's development of 20 small units on the Team Valley South site has been completed. 7 units have been let; a further 7 are to be occupied by a single company. A proposal for a prestige hotel is the subject of a UDG application.

Hartlepool

All 6 sites on the BSC Sandgate development have been sold. Development of 32 of a planned total of 64 small units within the Longhill IIA has been brought forward to start soon. The 17 companies and 10 small businesses which have set up in the EZ provide a total of 430 jobs. A further 2 companies are to set up in the EZ in January 1983, providing 60 more jobs.

Wakefield

Of the 34 ha of land available for new development at EZ designation, 21 ha has now been developed or had interest expressed in it. 4 of the 5 factories vacant on designation have now been let, and 3 occupied, providing over 100 jobs. 3 out of 4 new factories built by a private developer have also been let, providing 50 jobs.

Salford/Trafford

In Salford, 8 ha of city-owned land have been cleared and serviced. 18,000 sq m of industrial units are under construction, half of which are pre-let. Spine infrastructure has been provided to open up the Manchester Ship Canal Company's development land in the docks. Derelict land clearance has begun on 28 ha of dockland.

In Trafford, the steady take-up of existing premises continues. 48 firms, providing some 700 jobs, have set up in the EZ.

Speke

19 of EEB's 68 "Beehive" units have been sold. The BL plant, comprising 90,000 sq m of vacant floorspace, has been sold to Mersey Pride Enterprise Developments; 2 sites within the plant have been sold on. The redundant buildings on the Dunlop site have been cleared. Plans for the provision of a major sewer on the North Airfield are going ahead, to allow for industrial and commercial development.

Dudley

13,500 sq m of new development has been completed and a further 15000 sq m under construction. Some 360 jobs have been provided of which 236 are in 13 new firms. Terms have now been agreed for the sale of 45 ha, formerly owned by BSC and TI, to a local private developer.

Corby

Of the land originally available for development, only 12 ha (10%) remains uncommitted. Some 1,000 jobs have been provided in the EZ, and a further 2,500 are estimated to be in prospect.

Isle of Dogs

Since designation in April 1982, 12 ha of land have been marketed, 5 ha for speculative developments and 7 ha for owner-occupiers. A further 24 ha has now been released for marketing and will be available in early 1983. Construction of the Daily Telegraph plant is expected to start by the end of the year, and to provide some 2,000 jobs long-term. Conversion work has begun for the Limehouse Productions complex, which is expected to provide 66 permanent jobs initially and possibly a further 130 in the longer term.

Belfast

There has been £10m of new investment in the EZ (£8m private, £2m public). The shortfall of small workshops, for which there is a major demand, is expected to be made good by Summer 1983. 27 companies have set up in the EZ, providing some 190 jobs. A further 10 firms are committed to moving to the EZ, and will provide some 170 further jobs.

Clydebank

124 companies (of which 51 are entirely new) have set up in the EZ. They have plans to provide a total of 1,400 jobs, of which 1,000 are already on the ground.

Swansea

Some 8 ha of land have been brought into development since designation. Construction has begun on some 26,000 sq m of floorspace, and a further 7,500 sq m is committed. 44 firms have moved into or set up in the EZ, providing some 240 jobs. Firms committed to the EZ are expected to provide a further 450 jobs.

ENTERPRISE ZONE APPLICATIONS

(NOTE: details given are taken from local authority applications. Some details, particularly of size, will be refined in discussion with the authorities.)

Region	Authority	Location of Proposed EZ	Size of Proposed EZ (in hectares)	Rates Payable on Proposed sites in 1982/83
NW	Allerdale DC	Workington/Maryport	67 - 128	£28,000 - £44,000
NW	Burnley BC) Hyndburn BC) Pendle BC) Rossendale BC)	North East Lancashire	193	less than £50,000
NW	Liverpool	Speke	40	less than £50,000
YH	Scunthorpe BC	Skippingdale	96 (21 at EIE estate)	£1,600
YH	Rotherham MBC	Rotherham	106	£104,000
YH	Wakefield MBC	Kinsley/Dale Lane	44	£8,000
WM	Wrekin DC	Telford	113	nil
EM	Northeast Derbyshire DC	Holmewood	93	nil
EM	Wellingborough BC	Wellingborough	82	less than £60,000
SE	(Rochester-upon-Medway) (City Council) (Gillingham BC) ((Gravesham BC	Rochester & Gillingham	138	£530,000
		Gravesend/Northfleet	63	£142,000

Rep. Pol. Review of Regional Pol. Pt 7

3 NOV 1982



Prime Minister (2)
MS 29/7
2 MARSHAM STREET
LONDON SW1P 3EB

Regional Policy.

My ref:

Your ref:

26 July 1982

MS

De Paul

attached

I have seen Nick Edwards letter to you of 13 July.

I agree with him there will be presentational problems - not just in Wales but in England too - but in my view this was implicit in our decision to stick to the 1979 pattern of Assisted Areas. I don't think it is an argument for limiting the areas receiving aid from non-quota section of the ERDF, which is intended to apply on a sectoral basis. I should be very reluctant to see the much needed aid for the Yorkshire and Lancashire textile areas denied to them for such a reason and I think we should press on with our efforts to get as much advantage as we can from what the Commission is prepared to put forward which, as I understand it, is what Norman Lamont is trying to do.

I am copying this letter to members of E(EA) and OD(E), Douglas Hurd and Sir Robert Armstrong.

yes even
MS

MICHAEL HESELTINE

27 JUL 1982

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9 8 7 6 5
8 7 6 5 4



Prime Minister (2)

MUS 23/7

Regional Pol

cc JB

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

22 July 1982

The Rt. Hon. Nicholas Edwards, MP
Secretary of State for Wales

Dear Nick

mt

ADDITIONAL ENTERPRISE ZONES

Thank you for your letter of 9 July about the designation of additional Enterprise Zones. You will have seen by now a copy of Mr. Scholar's letter of 19 July, recording the Prime Minister's agreement to the creation of up to 10 new Enterprise Zones, as proposed in my minute of 2 July. I plan to announce this in the debate on Tuesday.

I am sure that more than one area in Wales can make a good case for designation as an Enterprise Zone. But equally more than 10 areas in the UK as a whole would probably benefit from EZ status. But, at this early stage in the Enterprise Zone experiment when the first results are promising but not conclusive, it would be wrong to designate more than a small number of new areas. And on grounds of equity, I think we have to stick to the pattern proposed in my minute, which was based very much on the distribution of the first tranche of Enterprise Zones designated over the last year.

Copies of this letter go to the Prime Minister, Michael Heseltine, Patrick Jenkin, Norman Tebbit, Jim Prior and George Younger.

GEOFFREY HOWE

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23-3-101-1901



Regional Policy

10 DOWNING STREET

From the Private Secretary

19 July, 1982.

Enterprise Zones

The Prime Minister has seen the correspondence about the enterprise zones, following the Chancellor's minute to her of 2 July on this subject.

Mrs. Thatcher agrees in principle that up to 10 new enterprise zones be set up, as proposed in the Chancellor's minute. She does not wish, however, an announcement to be made immediately about this. She thinks it would be best made in the course of an economic debate before the Recess.

I am sending copies of this letter to Jonathan Spencer (Department of Industry), Barnaby Shaw (Department of Employment), and David Wright (Cabinet Office).

M. C. SCHOLAR

Peter Jenkins, Esq.,
HM Treasury.

PK



Prime Minister (2)

This announcement was delayed by the Chancellor, against the possibility of making it during a censure debate (together with abolishing HI controls on cars and the new National Savings issue). This seems a good idea - although we do not want these 3 announcements described as a 'package', I think.

2 MARSHAM STREET
LONDON SW1R 3EE

01-212 3434

My ref:

Your ref:

16 July 1982

Jean Chancelier of the Ecchequer

because that would arouse expectations in the wrong way. Mrs 16/7

ENTERPRISE ZONES

As you know, Patrick Jenkin hoped to announce the decision about more Enterprise Zones this week; but that has been deferred against the possibility of a Supply Debate, in the course of which the announcement would be valuable ammunition. I now understand however, that the prospect is that that occasion will not arise before 27 July. It would seem to me regrettable to leave an announcement as long as that: every day that we wait now delays the start of Enterprise Zones to the same extent: we are already cutting the timetable for identifying new zones and establishing them down to the bone. This is particularly the case as the end of July really means nothing happens until September.

I should therefore like to suggest that an announcement is made as early next week as possible. I do not know of a particularly suitable occasion for an announcement and I do not mind who makes the announcement. But I suggest that if there is no specific occasion that would be more suitable, you might make the announcement yourself either in the form of a written answer or even possibly in a statement.

I am copying this to the Prime Minister and also to Patrick Jenkin and Norman Tebbit.

Yours sincerely

Michael Heseltine

M.H. MICHAEL HESELTINE

(approved by the Secretary of State and signed in his absence).

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Oddi wrth Ysgrifennydd Gwladol Cymru The Rt Hon Nicholas Edwards MP *From The Secretary of State for Wales*

13th July 1982

D. Jenkin

I have seen a copy of Norman Lamont's report to you on the current negotiations with the Commission on its proposals for a second round of non-quota measures. The areas envisaged for aid are as you know very important to Wales, not just because of the steel industry run down - which has in part been recognised under the first round - but because of the substantial impact of job losses on the textile industry in Clwyd. You will understand, therefore, that I have looked not only at the broad issues Norman raises but also the specific implications for Wales of proposals for England.

Overall I am bound to question whether the proposed extension of the non-quota to non-assisted areas as a means of generating custom for the EC funds is really of such advantage that an immediate decision in favour has to be taken.

I fully accept that the Commission's likely insistence on the need for national contributions to the non-quota measures may cause all departments problems when their resources are stretched as they are at present. Further, an application in the second round of the Treasury's rule that payments to SMEs must be set against Departmental votes will compound this problem. I imagine that like me colleagues may not find it possible in the event to operate in the assisted areas the measures proposed for the non-quota in the way the Commission and the Treasury envisage. How far is this likely to prove a real stumbling block?

The Rt Hon Patrick Jenkin MP
Secretary of State for Industry
Department of Industry
Ashdown House
Victoria Street
LONDON SW1E 6EB

/...



Perhaps, however, the biggest hurdles, for me, are those created by the idea of extending the non-quota beyond the assisted areas. Such a move could have serious repercussions for regional policy, particularly in Wales. For one thing the exclusion of Clwyd from the textile measure would in any case be difficult for me given the number of jobs that have been lost in the industry and the level of unemployment in the area. But it would be really very difficult for me to defend the exclusion of the Clwyd SDA from European assistance available in the textile sector to non-assisted areas in England.

For another, in Wales - and I imagine that this will be true in parts of England as well - involvement of non-assisted areas in an ERDF package will revive and redouble the criticism to which we have been exposed over our decision in practice to deprive rural areas of access to most sources of European Community assistance. I do not see how we can argue that areas which, outside the context of the desire to generate EC receipts do not have any special recognition of their problems through the regional policies of central Government, should nonetheless secure special Community aid when areas like Mid Wales - which have justified such recognition - continue to be denied such access.

I would much prefer some time allowed for us in E(EA) to examine in detail the strategy as well as the practicalities. I recognise that this could mean the exclusion for the time being of some textile areas but we could say (what we had to say to some areas which complained at exclusion from the steel measure in the first round) that we shall try to secure their admittance next time around. By then perhaps the agreement of different rules for the non-quota in a new Regulation will have created a different basis for negotiation and by then too the need to avoid such close association as is currently envisaged of announcements of a contraction of assisted area coverage and an expansion to the advantage only of certain parts of the country of European Community aid may be less.

In the short term I would prefer to see us concentrate our energies in seeking alternative ways of distributing the available textile non-quota money, particularly to include deserving areas like Clwyd. Moreover, we surely have a case if the steel measure is to cover a wider area (including I understand Llanelli and the whole of the Port Talbot TFLAs).

/...



for arguing that in the second round steel should be allocated more than in the first, even if at the expense in the short term of textiles.

/ I am sending copies of this to E(EA) colleagues, Douglas Hurd and Sir Robert Armstrong.

✓ for em

Nick

wa

CONFIDENTIAL

✓ *Regional Policy*

Ref: PIC(82)3

THE GOVERNMENTS REGIONAL AND INDUSTRIAL POLICIES

It is hoped these notes will be useful for the supply day debate on July 14th 1982.

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Conservative Research Dept.,
32 Smith Square.

LR/hn
13.7.82

THE GOVERNMENT'S INDUSTRIAL POLICY

The government's industry policy has three objectives:

- * creation of a climate in which industry can flourish;
- * positive action to make markets work more freely;
- * positive stimulation sharply focussed on those areas where this is a cost-effective use of taxpayers' money.

The industrial climate. The government's main contribution has been the fight against inflation. Inflation makes planning for the future hazardous and so delays investment; it sours industrial relations and puts pressure on wage costs; it hampers competition with overseas producers; and it forces up interest rates.

The government has, despite the difficulties in recession, maintained downward pressure on its borrowing and financed its deficit responsibly. Inflation is down sharply, and interest rates, already 3½% lower than in the autumn, are still on a downward trend. The government cannot undo the effects of high US interest rates - yet it can and it has refrain from adding further to industry's problems.

Market efficiency. The government has abolished pay, price, dividend and exchange control. The 1980 Competition Act provides new and effective methods for dealing with restrictions on competition.

The Employment Act 1980 and the Employment Bill are steps taken towards achieving a more appropriate balance of bargaining strength between employers and trade unions. Some of the rigidities in labour markets introduced in the 1975 Employment Protection Act have been removed, and the government has lost no opportunity of stressing the link between levels of pay and job security. Wage Councils have been instructed to take more note of conditions in the labour market when setting minimum wages, and the Young Workers Scheme subsidises the employment of young people where this is at a realistic level of pay.

Labour mobility is crucial to an efficient labour market. The sale of council houses to tenants is of great value here. So too is the work of the National Mobility Office, which helps in the allocation

of public sector housing where people want to move for job reasons.

The planning regime has been streamlined, particularly as it affects small businesses. Enterprise zones in specific locations are showing the potential which exists for further measure of deregulation. The system of issuing Industrial Development Certificates in non-assisted areas, supposedly to encourage investment in assisted areas, was suspended in December 1981, since the scheme impeded development and rarely had its desired effect.

Reduction of the State Sector. However firm the financial discipline imposed on the state sector, it can never reproduce the effectiveness of the market in increasing efficiency. Yet, improved efficiency in the state sector is crucial to the creation of a better climate for industry. The government's achievements in reducing the size of the state sector are summarised at Appendix A. The aims of its policy for the state sector are:

- Where possible to return nationalised industries or their subsidiaries to the private sector:
- To remove statutory backing the state monopolies, and minimise the extent of monopoly operation;
- to pressurise nationalised industries to greater efficiency, and open them up to scrutiny by the MMC;
- to ensure that the state is an intelligent purchaser of industry's goods and services, with a helpful and constructive relationship with suppliers.
- to encourage local authorities to introduce more privatisation in their areas.
- to review and to improve the efficiency of central government.
- to devise a system of remuneration for state employees which recognises the realities of the labour market and the economic realities.

Government stimulus to industry. The government maintains that the most effective boost to British industry will come from lower inflation,

lower interest rates, moderation in labour costs and continued improvements in productivity. It has also acted to cut employers' National Insurance Surcharge and reform the system of stock relief. More specific stimulation is, however, cost-effective in some areas:

* Small businesses. A battery of measures has been designed to make it easier for new and small businesses to raise loans and equity finance. The tax climate in which they operate has been transformed; the weight of bureaucracy upon them has been reduced; and the advisory services available to them have been strengthened.

* Technological developments. The government has a clear role in supporting basic research, and in promoting new products and processes which would otherwise not be developed. It has taken unprecedented steps in promoting awareness and adoption of new technologies, in particular in the field of information technology. Increased investment in BT (over £2 billion per year) will allow the complete modernisation of Britain's telecommunication network, and this and measures to liberalise the telecommunications monopoly will greatly facilitate the development of IT industries in Britain. Support is also given to accelerate development in microelectronics, robotics, fibre optics, computer-aided design, biotechnology and other advanced technologies.

The NEB and NRDC have been merged to form the British Technology Group, which aims to spur technological progress in co-operation with the private sector.

* Help with investment. Companies operating in Britain receive considerable incentives through the tax system to invest in their businesses. Companies may deduct 100% of the cost of most capital goods from profits for the purposes of Corporation Tax.

The government actively encourages inward investors to Britain by publicising this and the specific investment incentives in the designated regions (see below) and under other Industry Act provisions; and by its sound financial policies which create a climate attractive to overseas investors.

The DoI Invest in Britain Bureau spearheads the government campaign to attract inward investment to Britain. Norman Lamont pointed to the folly of "the growing proliferation of local agencies attempting to mount their own campaigns in different parts of the world". He said that this is wasteful of public money, and confusing and irritating to the potential investor, and concluded:

"I do not believe we can allow it to continue". (Brighton, 1st July, 1982).

* Help with exports. The government is active in promoting worldwide free trade, because Britain depends upon trade for its prosperity. Where competition is unfair, the government accepts its duty to act; but as far as possible, it has aimed to achieve fair competition by persuading other countries to abandon subsidies and protection.

Through Ministerial visits, export credits, aid and trade provisions and greatly improved co-ordination in support of firms pursuing major export orders, the government ensures that Britain's exporters receive assistance as good as that available to their competitors.

The old, declining industries. Patrick Jenkin has said:

"Over half my Departmental Budget goes to supporting the casualties of the past. Every one due directly to past Government interference". (CBI dinner, 24th May 1982)

There has been continued determination to ensure that support of this kind will be temporary and tapering, and that it is used to return the recipients to commercial viability.

Regional Policy. The government accepts that every country in Europe has particular regions which need special support. The characteristics of its regional policy are:

* selectivity. When Labour left office, 40% of the workforce was in designated areas. However, the evidence is that regional policy becomes less effective as it becomes less selective. Following changes announced on 17th July 1979 and 28th June 1982, the regional map has been redrawn, and assistance concentrated upon 27% of the workforce. Within that total, the differentials

between incentives to special development, development and intermediate areas have been increased.

* stability. If investment decisions are to be affected by regional policy, that policy must be stable and predictable. In downgrading areas to increase selectiveness, the government has proceeded slowly, and phased the process where more than one step (e.g. special development to intermediate status) has been involved.

* value for money. The criteria for regional selective assistance under section 7 (and general assistance under section 8) have been tightened (a) to include only those projects which would not go ahead without it; and (b) to concentrate on the provision of increased efficiency and more productive and more secure jobs.

* flexibility. The government has responded to changed circumstances in the regions. For example, Shotton became an SDA and Corby a DA, in December 1979. Port Talbot became an SDA and Newport, Cumbria and Scunthorpe became DA's in July 1980. All these designations were in response to steel closures. In July 1982, Teesside became an SDA and Rochdale and Rossendale a DA, again in response to their changing fortunes.

* attractiveness to investors. The government has been concerned that regional aid should be in a form most effective in attracting investors to designated areas. In addition to general help with investment, more tailored incentives are available:

- Help with training costs. In April 1980, an in-plant training scheme was introduced under section 7 which offers grants for training costs in SDA's and DA's. This is a positive move to attract new industries and modern technologies to the regions.
- Provision of advance factories. The English Industrial Estates Corporation and the Welsh and Scottish Development Agencies remain active in the provision of factories in the regions, ready to meet the demand from new investors. This has proved a very cost-effective way of attracting firms to the regions, particularly since the Industry Act 1980 has

increased the scope for private sector involvement.

The Development Agencies. Mr Lamont made the following statement in Brighton on 1st July 1982:

"It is often alleged that in the field of overseas promotion the English regions - especially the Assisted Areas in the North and South West - are treated shabbily by comparison with Scotland and Wales. The promotional agencies in those countries, it is said, have resources far superior to any available in the English regional associations - the North of England Development Council and others. I admit that there is something in this argument." I met the Chairmen and Directors of the four English Regional bodies on 1 April and I was impressed by what they had to say. I hope to meet them again in the course of the next few weeks to talk about the grant which we pay to them and which is coming up for renewal next April. I am inclined to agree that there should be greater equity of treatment between the component parts of Britain and that the English Regional Agencies should indeed have more money.

"But - and this is a vital consideration in my view - I would only consider a really sizeable increase in the contribution we make if I could be certain that each Regional Organisation was going to lead and actively co-ordinate the overseas effort on behalf of its region and that local authorities and New Towns were going to put their own resources behind that regional body rather than trying to maintain independent and unco-ordinated activities overseas."

PUBLIC EXPENDITURE ON INDUSTRY

	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>	<u>1983-84</u>	<u>1984-85</u>
<u>Department of Industry</u>									
<u>Regional and general industrial support:</u>									
1 Regional Development Grants	392	385	406	312	474	598	353		
2 Provision of land + buildings	15	17	24	24	30	45	23		
3 Selective assistance to industry in assisted areas	25	24	68	54	42	52	50		
4 Other regional support				1		1	1		
5 Residual expenditure under repealed sections of the Local Employment Act 1972	-6	-5	-5	-7	-3	-1			
6 Selective assistance to individual industries, firms and undertakings	51	46	93	53	49	62	66		
7 National Enterprise Board	23	33	45	70	49	41	25		
8 Investment grants	26	7	3	1					
9 National Research+Development Corporation	-5	-6	-6						
10 Other support services			1	1	2	3	4		
11 Future industrial support						6	12		
TOTAL	519	502	629	509	644	807	534	680	590
<u>1 Scientific + technological assistance:</u>									
2 General industrial research and development	43	46	57	86	102	122	167		
3 Aircraft and aero-engine general research + development programme	20	20	16	19	24	30	33		
4 Space	34	35	34	37	44	59	50		
TOTAL	98	100	106	142	344	212	249	280	300

	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>	<u>1983-4</u>	<u>1984-5</u>
<u>Support for aerospace, shipbuilding</u>									
<u>steel and vehicle manufacture</u>									
1	48	48	42	23	36	32	29		
2	72	2	12	104	117	193	91		
3	1	5	50			5			
4	71	-92	-18	-30	-31	-45	-38		
5	44	22	38	59	67	55	58		
6	14	35	20	48	70	82	72		
7	2	3	8	22	40	100	43		
8	100	325	174	150	300	620	360		
TOTAL	351	349	326	376	599	1,043	606	60	-
Other central and miscellaneous services	25	29	32	35	42	48	51	50	50
Total Department of Industry	993	980	1,094	1,062	1,628	2,109	1,440	1,080	940

LABOUR'S INDUSTRIAL POLICY. The most recent policy document from Labour was "Labour's Programme 1982", published on 24th June 1982 in "Labour Weekly". This will be voted on at the next Party Conference, and if it is accepted, will represent party policy. The industrial policy elements are:

Planning agreements. Major companies will be required to negotiate agreed plans with a new planning bureaucracy (see below). These will cover "purchasing policy, import penetration, investment plans, pricing strategy and training policy".

They will be backed by statutory powers, "to ensure companies participate constructively." Companies complying will benefit from relaxed price controls, preferential access to credit, protection by import controls and discretionary financial support. Other statutory powers to be taken include "powers to issue directives on a wide range of industrial matters: to invest in individual companies or to purchase them outright by statutory instrument approved by Parliament; to exercise discretionary control over corporate purchasing policy; and to put an Official Trustee in temporary control of companies which fail to meet their responsibilities."

Planning bureaucracy. We are promised:

* a new Department of Economic and Industrial Planning, with more powers than the old Department of Economic Affairs. It would be staffed by graduates from a new National Planning College. The corollary would be a weaker Treasury, which would be effectively a Ministry of Finance with no control over public expenditure.

* a "strong Cabinet Committee for Economic Planning" chaired by the new Secretary of State for Economic Planning, which would "re-inforce the commitment of the government to full employment and industrial revival." In other words it would ensure that financial responsibility did not prevail.

* a National Planning Council superceding the NEDC, with "more resources and greater powers". This also would be chaired by the Secretary of State for Planning. It would contribute to the national economic assessment, and to the five year national plan, which would have "significant sectoral content." We are told: "The aim will be to translate this information and analysis (ie the national plan) into action

at company level." This would be the basis of the statutory Planning Agreements with companies, discussed above.

Trade Union Power would increase significantly.

- "The trade union movement would be able to make a systematic and detailed input into national planning."
- "The ability of trade unions to participate actively (in planning within companies) will turn on new statutory rights":
 - *Rights to information about company finance and policy;
 - *Rights to consultation through "workplace planning committees"
 - *Rights to "parity representation on the board".
- The Employment legislation of the present government would be repealed, restoring the uniquely powerful and privileged position the unions enjoyed up to 1979. In addition:
 - *Labour will create legal rights for unions to organise effective industrial action without being subjected to legal challenge."
 - *Labour will support effective union membership (ie closed shop) agreements which have done so much to stabilise bargaining arrangements and improve industrial relations in this country. "
- Mr David Basnett has said that the unions would be involved in the operation of the Price Commission (London 15 March 1982)
- Mr Michael Foot has said that there would be discussions with the unions in drawing up the Budget. (BBC Radio 4, 3 Jan. 1982)
- 'The Times' reported that, at the press conference to launch Labour's plan for jobs, Mr David Basnett "appeared to envisage constant involvement in drawing up policy" (16 March 1982)

This all adds up to a formidable set of powers for trade unions, which would have implications not only for the economy and industry but also for democracy in Britain.

Nationalisation. Labour's Programme promises:

- to renationalise businesses privatised by the government. Mr Tony Benn has pointed out that the policy endorsed by the TUC and Labour Party Conferences is for renationalisation without compensation. (Hansard, 10th November 1981, col 499). However, Labour's Programme takes the Shadow Cabinet line:

"shareholders should be repaid precisely the amounts which were paid for the assets at the time they were denationalised."

- to restore statutory monopolies in posts and telecommunications, and "restore the rights" of BGC and BNOC.

- to introduce or increase public ownership in electronics (includes proposal to nationalise GEC), pharmaceuticals and health equipment, the construction industry and building materials, road haulage, major ports, forestry and timber products, and North Sea oil.

- to consider taking one or more major clearing banks into public ownership and to take powers to acquire other financial institutions.

The programme says: "We have learned the lessons of past mistakes and will not overcompensate" the owners of businesses to be nationalised.

Regional Policy. Labour set up the Scottish and Welsh Development Agencies in 1975 and 1976 respectively. Labour's Programme 1982 proposes similar agencies for the English regions. It says that Local Enterprise Boards will have a part to play, and that Regional Industrial Planning bodies will also be set up to "develop local and regional economies". This policy represents a proliferation of bureaucracy.

By 1979, more than half the country and 40% of the working population were in areas designated for assistance. Labour's Programme gives no hint of whether they would return to this poorly-focussed approach. Another criticism of the Labour Government's policy is that it lacked consistency. In August 1974, the Regional Employment Premium (a subsidy then paid for employment in designated areas) was doubled. In December 1976, the government announced that it was to be phased out in 1977. Labour's Programme does not indicate whether a more consistent approach is now to be adopted. We are, however, told that the Labour Party and the TUC are currently working on the details of a new regional policy.

Co-operatives. Labour's Programme proposes positive measures to encourage co-operatives, including: "The next Labour government will... provide a statutory right and mechanism for workers in private firms - subject to government consent - to convert their enterprises into a workers' co-operative by acquiring the assets of the firm, and provide assistance for this purpose." No mention is made of the need for the consent of owners of the assets.

In his book 'Inside the Treasury', (Andre Deutsch 1981), Mr Joel Barnett says that the workers' co-operatives financed by the last Labour government (Meriden Motorcycles, Kirkby Manufacturing and Engineering and the Scottish Daily Express) were "sometimes known as Benn's Follies". These ventures were in a poor financial state when they became co-operatives. Labour now plan to try out the co-operative option on profitable ventures commandeered for the purpose.

Sectoral Policy. Two sectors are singled out in Labour's Programme 1982 for special mention. a) Steel. Labour would once again invest in more capacity, despite the fact that capacity worldwide is acknowledged to be excessive. BSC would be required to provide a full range of steel products. Parts of BSC hived off would be renationalised, and "the public sector should also acquire a strong preserve in the stockholding sector of the market". b) Construction. One or more major contractors would be nationalised to form the National Construction Corporation, "a pacemaking public competitor" in the market. Other major contractors would be required to 'agree' Development Plans with the bureaucracy. Direct Labour Organisations would have their activities extended. A holding company - the Building Materials Corporation - would acquire a major stake in the various sectors of this market. A statutory decasualisation scheme would be used, and measures which counter tax evasion under "the lump" would, "if necessary", be strengthened. Demand management would smooth the cyclical pattern of the industry.

Finance for industry. Labour's Programme blames what it sees as "inadequate capital investment" upon inadequacies in the financial system. Methods of correcting this are proposed. There is no recognition that investment demands the prospect of a reasonable return.

No firm proposals are put forward, but possibilities include bank nationalisation and the acquisition by the state of other financial institutions. Mr Callaghan has described the proposal for bank nationalised as "an electoral albatross" (Blackpool 29th September 1976). It would be useful to probe Shadow Cabinet views in this area, and to investigate how the proposals would safeguard the pensions and other savings of the customers of the banks and institutions involved.

General Economic Policy. Labour's promised reflation would probably destroy the economy before their industrial policies could destroy private enterprise in Britain.

They propose import controls and withdrawal from the EEC, both of which would bring retaliation against our exports. Increased government borrowing, and devaluation would lead to inflation, and import controls would also put up the level of prices. The proposed cuts in VAT and NIS, together with subsidised nationalised industry prices, could only have a short-term palliative effect. Price controls could only reduce the profitability of the private sector, particularly since Labour's Programme states: "We have made clear our opposition to any policies of wage restraint."

The Programme appears to have as its objective, the destruction of the private sector and the jobs therein. Britain would be left with a bureaucratic planned economy, of the type so conspicuous and unsuccessful in Eastern Europe.

SDP Policy. The SDP have recently published three policy (Green) papers:

- No 1 "Towards Full Employment" (7th June 1982)
- No 2 "Partnership and Prosperity" (19th June 1982)
- No 3 "Decentralising Government" (7th July 1982)

There is as yet no official SDP Policy, but these papers represent the views of SDP Policy makers.

Green Paper No 1: Economic Policy

"The PSBR should be allowed to rise both absolutely and as a percentage of GDP".

An uncosted package would be introduced "selectively and gradually" to include items from the following: VAT cut, NIS Abolition; increased current and capital spending; NI subsidies.

A further £1.3 billion per year would be spent on special employment measures.

This reflation would occur: "only if the inflation constraint is not endangered by excessive wage demands." If prices and incomes policy fails, what would happen to reflation and to unemployment?

An exchange rate policy would keep a "competitive index" steady. Initial devaluation would claw back ground already lost.

- This is not consistent with ERM/EMS participation.
- As they admit: "There could be initial short term difficulties."
- They propose temporary import and exchange controls to help.
- Devaluation would boost inflation and put pressure on incomes policy.

Incomes Policy: List of desired characteristics:

- permanence
- flexibility
- decentralised
- involving a minimum of "allocative inefficiencies and inequities."
- gradually redistributive
- working with not against markets
- generally accepted to be fair.
- "cannot be entirely voluntary".

The Liberals go further on the last: " I most certainly believe that for an incomes policy to succeed, the government of the day may have to provide a statutory framework." (Hansard, 27th July 1982, col 840).

Even if it is accepted that incomes policy could be a permanent answer, and that a perfect system could be designed, the SDP would still have to explain how they would obtain union acquiescence. The Liberal's economic spokesman Mr Richard Wainwright has asked: "How can we credibly present to the voters a policy which is based on the bland assumption that the TUC is going to change its heart and mind overnight?" (Llandudno 18th September 1981). The only SDP reference to this key issue has come from Mr Dick Taverne: "We may have to face a trial of strength in the public sector, I hope we can avoid confrontation." (Financial Times, 10th October 1981).

In fact, three possible "precise mechanisms" are discussed (including the inflation tax), but none are found fully to fill the bill. This is put out for further discussion.

The Green Paper admits: "There is no hope of sustaining expansion and keeping unemployment on a downward trend without establishing some means of incomes restraint." Without this vital ingredient, their policies add up to nothing. It is therefore extraordinary that they have yet to arrive at the precise form the policy will take.

Green Paper No 2: Industry Policy

The proposals involve extra expenditure as follows:

- £300 million per year to subsidise industry's interest rates
- £200 million per year through BTG into high risk ventures
- £150-250 million per year into other projects like those of present government - regional policy, training, R&D etc.

It is always easy to spend more on worthwhile projects. It is harder to obtain value for money; and to balance the benefits against the costs in terms of higher inflation and higher interest rates.

Subsidised interest rates would (a) induce government to cover its borrowing outside the market and (b) put the cost of borrowing by consumers, house buyers/owners up. The latter would hurt industry. The former would fuel inflation.

Proposals on BTG smack of Labour's wasteful use of the NEB when in government.

Planning. "There should be no attempt to draw up a grand plan, in the sense of a detailed blueprint for the development of all parts of the industrial economy, but rather a gradual development of policy within each sector informed by an overall view of the sort of developments to be encouraged" - i.e. less planning than the Conservatives - more than Labour.

Selective assistance. Criteria listed make it clear that in selecting sectors and companies within sectors for assistance, the SDP would attempt decisions which should be taken by the market.

A team of industrialists advising the Cabinet could not replace the market. Industrialists (a) would favour their own sector/company and (b) are notably better able to judge investments when their own rather than the taxpayers' money is at risk.

Nationalised Industries

- Competitive industries would be turned into Companies Act companies, and shares sold gradually.
- pressure on others to be efficient, although this is not easily reconciled with plans to give subsidies
- state monopolies need to be under tight control.
i.e. Conservative policy except in emphasis.

SDP Training Policy

- An end to age-restricted time-serving in apprenticeships and a switch to training to agreed standards via a modular system. (Green Paper)
- A remissable training tax (Green Paper).
- A stronger MSC, with a new "geographical" organisation. (Green Paper).
- A basic two year traineeship with third and fourth years for the higher skills. The first year in every case would consist of integrated work and study. (Mrs Williams, 'Guardian', 15.12.81)
- Trainee allowances, including those who stay at school. She could not decide upon the level : "The dilemma...is that the allowance is either too little to motivate the trainees....or is sufficient but impossibly expensive". (Mrs Williams 'Guardian' 15.12.81)

A remissable training tax was one of the ideas put forward by the Government in the White Paper 'A New Training Initiative' (December 1981). But employers would not welcome yet another tax, and the costs of collecting and policing it would be enormous. The old levy/grant system operated by the Industrial Training Boards foundered under the weight of bureaucracy that it involved.

The government has set 1985 as the year in which recognised standards will have been established for all the main craft, technician and professional skills, replacing age-restricted time-serving. Government aid to firms practicing apprenticeship will be made increasingly conditional upon such reforms.

Training 'contracts' are entirely feasible under the Youth Training Scheme (YTS) should firms wish to use them.

SDP plans are uncosted. The one-year YTS will be costing £1.1 billion by 1984-5; a two-year scheme would be extremely expensive especially if the SDP contemplated higher allowances than the £25 now proposed.

Regional Policy . The SDP believe that their decentralisation proposals (see below) would "encourage high-level management to move out of the South East", and cause more public expenditure in the regions and less in London. They propose a ceiling on Regional Development Grant paid "on any one premises", and that the saving would be used to fund a new type of regional employment

premium for highly qualified manpower.

The recent abolition by the government of Industrial Development Certificates has been widely welcomed by industry (see page 2). The SDP propose their re-imposition.

Green Paper No 3 : Decentralisation

Having published one paper on the need for centralised determination of prices and incomes, and a second on the need for centralised planning in industry, the SDP have now published a third on the need for decentralisation in government.

They promise to "try to ensure" that the setting up of a regional tier of government will not add to bureaucracy; and they see no reason to believe that it will add to costs. This flies in the face of accumulated experience in recent years.

The most likely consequence would be higher rates, higher taxes, and more bureaucratic interference.

PRIVATISATION:

THE COST OF NATIONALISED INDUSTRIES

1. Performance of Nationalised Industries 1945-75: Total Government subsidies, capital write-offs and other payments to the Nationalised Industries, amounted to nearly £8 billion (Hansard, 31st July 1975, WA, Co. 630)
2. From 1976/77 when the system of external financing limits was introduced, the burden on the exchequer has averaged £2.5 billion p.a.
3. In 1980/81, the level of the private sector financing deficit was reduced by £1.6 billion, while the level in the public sector rose by £700 million.
4. In 1981/82, 22% of the PSBR was accounted for by nationalised industry financing.

METHODS OF RETURNING INDUSTRY TO THE PRIVATE SECTOR

1. The public issue of shares eg. BAe, Cable and Wireless
2. Sale to employees/management consortium, eg. National Freight Corporation.
3. Placement with institutions/investors, eg. governments holding the British Sugar Corporation.
4. Sale of Assets, eg. BR hotels
5. Mergers, e.g. BR's Seaspeed with Hoverlloyd to form Hoverspeed
6. Contracting out of public services by central government or by local authorities.

SALES OF PUBLIC ASSETS:

SPECIAL SALES OF ASSETS
(effects on public expenditure)

1979-80

	£ million cash
Net reductions in expenditure	
Sale of shares in the <u>British Petroleum Co Ltd (BP)</u>	276
National Enterprise Board - sale of certain shares	37
Sale of shares in Drake & Scull Holdings Ltd	1
New Town Development Corporations and the Commission for the New Towns - sale of land and buildings	36
Regional Water Authorities - sale of land	3
Sale of shares in Suez Finance Company	22
Property Services Agency - sale of land and buildings	5
<hr/>	
TOTAL	370

£ million cash

Revenue offsets to planned expenditure	
British National Oil Corporation - receipts of advanced pay- ments for oil	622
Stamp duty and VAT	7
<hr/>	
Grand total	999
<hr/>	

1980-81

Net reductions in expenditure	
Receipt of premiums levied on the seventh round of North Sea oil licences (less £15 million of payments on licences granted to British National Oil Corporation)	195
Sale of leases of certain motorway service area - sales of land buildings	28
Property of Services Agency - sale of land and buildings	4
Sale of shares in <u>British Aerospace Ltd</u>	43
New Town Development Corporations and the Commission for New Towns - sales of land and buildings	52
National Enterprise Board - sales of certain shares	83
<hr/>	
Total	405
<hr/>	

Revenue offsets to planned expenditure	
Change in level of receipts of advance payments for oil	-49
<hr/>	
Grand total	356
<hr/>	

1981-82

Net reductions in expenditure	
Motorway service area leases	19
British Sugar Corporation	44
<u>Cable and Wireless</u>	182
New Towns	73
Oil stockpile	50
Sale of other stocks	19
<u>Amersham International</u>	64
Forestry Commission	7
<u>National Freight Company</u>	5
NEB subsidiaries	2
Crown Agents - sale of property	7
Property Service Agency properties	1
Government's nil-paid rights in 1982 BP rights issue	8
<hr/>	
Total	481
<hr/>	

Revenue offsets to planned expenditure

British National Oil Corporation - effect of delivery in 1981-82 of oil for which advance payment was received in 1980-81	-573
<hr/>	
Grand total	-92
<hr/>	

PUBLICLY OWNED SHARES HELD BY NEB
Sales since May 1979

Company	Receipts (£ million)
<u>1979</u>	
Hird Brown	0.4
ICL	37.2
<u>1980</u>	
Brown Boveri Kent (Holdings) Ltd	2.6
Barrow Hepburn Ltd	10.27
Computer and Systems Engineering Ltd	2.14
Fairey Holdings Ltd	21.8
Ferranti Ltd	55.2
Middle East Building Services Ltd	*
New Town Securities (Northern) Ltd	0.13
R.R. Chapman (Sub-Sea Surveys) Ltd	0.35
<u>1981</u>	
Automation and Technical Services (Holdings) Ltd	0.9
Negretti and Zambra Ltd	0.5
System Designers International Ltd	1.19
Energy Equipment Ltd	0.08
ClC Investment Holdings Ltd	+

1982

George P. Brown Ltd. - net proceeds £1.1 million

Consine Ltd. - proceeds to arise from levy arrangements linked to product sales to 1985.

Insac Products Ltd. - certain assets have been sold to Britton-Lee Inc. in return for a minority shareholding in that company; disposal of the remaining assets is under negotiation.

Burndept Electronics Ltd.
Doyce Electronics Ltd.
F.W. Elliot (Holdings) Ltd.
Hydraroll Ltd.
Innotron Ltd.
Powerdrive PSR Ltd.
Sonicaid Ltd.
Thandor Ltd.
NEXOS Office Systems Ltd.

These companies were disposed of to Grosvenor Development Capital Ltd., a private sector company but one in which the National Enterprise Board retain a 29 per cent holding.

Disposal of the assets are in varying stages of completion.

* The proceeds from this sale were a nominal sum of £1.

+ Receipts of £3 million accurate in 1984.

MAIN PRIVATISATION LEGISLATION

Industry Act 1980	NEB
Housing Act 1980	Right to buy council houses
Local Government Planning and Land Act 1980	Direct labour organisations of local authorities.
British Aerospace Act 1980	British Aerospace
Transport Act 1980	Bus licensing, NFC
Transport Act 1981	BR subsidiaries, BTDB
British Telecommunications Act 1981	Cable & Wireless, BT, Post Office
Oil and Gas (Enterprise) Bill	BNOC, BGC
Transport Bill	National Bus Co., HGV testing

FUTURE SALES include:

1. Legislation before Parliament will enable the government to sell its majority share holding in the exploration and production part BNOC, and BGC's offshore oil assets.
2. The Secretary of State for Industry has granted a licence to Mercury, a private telecommunications system, to compete with British Telecom.
3. The Transport Bill presently before Parliament will introduce more deregulation and competition in road transport.
4. Privatisation of the British Transport Docks Board and British Airways.



10 DOWNING STREET

①

Prime Minister

Enterprise Zones

You raised a question about the substance of the Chancellor's proposal for up to 10 new Zones; and thought it should be discussed at E.

Since then you have had Alan Walker's note on the substance of the matter. All colleagues now agree to what is proposed (except Nick Edwards who thinks we should not be too precise about the number of new Zones because he might want more than

PTD

one in Wales) ; and the Chancellor has already had a meeting of the colleagues involved.

This has led Patrick Jenkin to seek authority to announce this in the debate tomorrow. The Chancellor is doubtful and thinks it should be held back for use by you or him in a possible censure debate later this month.

Agree that Patrick Jenkin announce tomorrow ? Or should we hold it back ?

MCS 13/7

Y SWYDDFA GYMREIG
GWYDYR HOUSE
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01-233 6106 (Llinell Union)

Oddi wrth Ysgrifennydd Gwladol Cymru

CF
PI by
13/7
ms 9/7



CC JV.

WELSH OFFICE
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From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

902 July 1982

John Gwyn

ADDITIONAL ENTERPRISE ZONES

I have seen a copy of your minute of 2 July to the Prime Minister. As you know I would welcome the designation of further zones but, as I said in my letter of 20 April to Michael Heseltine, I think it would be a mistake to be too rigid at this stage about either the size and number of additional zones or their locations. For example, I can see scope for more than one additional zone in Wales and I should prefer to have the claims for Welsh sites assessed on merit rather than on the basis of a too fixed and predetermined formula. I understand that officials will be meeting later this week to report on the options.

I am copying this to the Prime Minister, Jim Prior, George Younger and Sir Robert Armstrong.

John Gwyn

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON

1500

9 10 11 12 1
5 6 7 8

9 JUL 1982

MS
Prime Minister (2)

Regional Policy
cc Mr. Mount
Mr. Vereker

MR. SCHOLAR

ENTERPRISE ZONES

Undoubtedly, these zones create distortion at their margins. So far, however, none of the colleagues have objected to the proposals (which are copied to all members of E) ; I have particularly drawn Cecil Parkinson's

1. I think the Prime Minister should approve the Chancellor's request *attention* that she agree in principle to set up 10 new Enterprise Zones in *to them,* the UK.
2. The basic argument for Enterprise Zones is simple. If it is politically or administratively impossible to remove constraints in the United Kingdom as a whole, but possible to do so in some Enterprise Zones, and we agree that such restrictions are harmful, then it is best to do it in the Enterprise Zones as such. It will, on balance, reduce the harmful effects of such regulation. It is, so to speak, better to have free trade in a few areas than no free trade at all.
3. If the areas however are given tax concessions, which means that taxes are increased on business outside those areas, then the advantage is obviously less clear. Certainly it is more likely to be onerous. It will distort the location of activity with possible net adverse results.
4. In summary, therefore, if the Enterprise Zones are regulation-reducing it is good, and if they increase taxes outside, it is probably not good. This latter view would be reinforced if it were shown that areas earn Enterprise Zone status only by being run down and high wage areas, such as, for example Liverpool. This may be brought about primarily by the high unionisation of labour combined with a "progressive" (Socialist or extreme Left) local authority. Then the rewards for bad behaviour would be indeed handsome. I am not sure how far the Secretary of State for the Environment and the Chancellor have considered these points.
5. Ultimately, of course, we would like the whole of Britain to be one big Enterprise Zone. One would like to see the present plan embodied in a programme leading to the ultimate goal of a low tax law regulation Britain.

MLS 5/7

AW

5 July 1982

ALAN WALTERS

Yes - but think it
should go before
L.C. what



Prime Minister (1) ✓ JV

Agree in principle that up to
10 new Enterprise Zones be

Treasury Chambers, Parliament Street, SW1P 3AG set up?
01-233 3000

PRIME MINISTER
happy on the money in
the Zones?
not

Mus 2/7

ENTERPRISE ZONES

As you know, all eleven Enterprise Zones have come into operation over the past year. My purpose in writing to you now is to inform you of the present position, and to seek your approval for an additional group of zones.

2. To monitor the progress of the Zones, Michael Heseltine has engaged a team of consultants. They will be producing their first full report in the autumn. But at Michael's request, they recently conducted a preliminary study of the Zones, including a detailed scrutiny of three of them.

3. The study's conclusions lend support to our original hopes for the Zones. Even at this early stage, several - particularly those at Clydebank, Swansea, Hartlepool and Wakefield - are evidently having a galvanising effect of great psychological importance on run-down or derelict areas. Enterprise Zones are proving an invaluable marketing tool. They have focused and accelerated development, and are showing what can be achieved by the combination of a more positive public sector approach to industry's needs with the ready response of private enterprise.

4. All this has reinforced the favourable impressions Michael had been getting from his regular discussions with the Zones' promoters. Clearly, there is a good story to tell. He wrote to me recently suggesting that we should designate another batch of Zones at once. We discussed the idea at an informal meeting last week, together with Arthur Cockfield, Patrick Jenkin, Norman Tebbit and John MacGregor.



5. We all agreed that the Zones were undoubtedly bringing benefits to stagnant areas. In the light of this - and of our knowledge that George Younger, Nick Edwards and Jim Prior all wanted extra Zones in their areas - we agreed that a fresh batch would be highly desirable.

6. We recognised, however, that pushing ahead at this stage might provoke criticism. The results of the consultants' study were still inconclusive; and if their full report in the autumn were less encouraging, a decision to designate more zones now would be hard to defend. There could also be some complaints, as before, from businesses outside new Zones.

7. In a perfect world it might be best to wait for clearer evidence of success. But we felt that powerful political arguments militated against delay. If a decision were postponed until the autumn, there would be no chance of benefits from new Zones emerging before the election. On the other hand, if new Zones were designated now, some would be in operation by early 1983, and by the following autumn there would be physical evidence of success. And we would get complaints whenever a decision was taken.

8. We therefore provisionally concluded that up to ten more Enterprise Zones, including one each for Scotland, Wales and Northern Ireland, should be designated as soon as possible. The process of selecting the new Zones should go ahead immediately, accompanied by vigorous publicity about the decision.

9. Several issues remain to be discussed, including what size the new Zones should be and where we should site them. I am attracted by the consultants' suggestion that smaller Zones, located where the supply of premises is restricted, would lead to best results. But I shall pursue these matters with colleagues. For the present I should be grateful for



your agreement in principle that up to ten new Enterprise Zones should be designated.

10. I am sending copies of this minute to colleagues on "E", George Younger, Nick Edwards, Jim Prior and Sir Robert Armstrong.

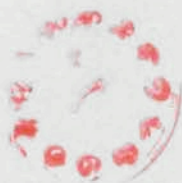
Jim Rubin

PP (G.H.)

2 July 1982

(Seen and approved by
the Chancellor and signed
in his absence).

2 JUL 1968



CONDICION

101

Assisted Areas (Review)

28.6.82

Reg. Blaney

3.30 pm

The Secretary of State for Industry (Mr. Patrick Jenkin): With permission, Mr. Speaker, I should like to make a statement on regional industrial policy. Copies of the statement are available in the Vote Office.

When my right hon. Friend the then Secretary of State for Industry made his statement on 17 July 1979 announcing the results of the Government's review of regional industrial policy, he undertook that those former special development areas and development areas which were due to become non-assisted from 1 August 1982 would be subject to a special review before the changes finally took place.

Since then, there has been a very substantial increase in unemployment nationwide. The increase has formed the basis of a large number of representations which the Government have received in respect of many areas from hon. Members, local authorities and others, seeking improvements in those areas' assisted area status. Therefore, as well as conducting the special review, which was confined to the areas which are due to lose assisted area status by two or more stages, we have looked carefully at a number of other areas whose circumstances seem to have deteriorated relatively to the country as a whole.

The changes announced by my right hon. Friend three years ago had the effect of reducing the proportion of the population covered by assisted areas from over 40 per cent. to about 26 per cent. We believe that changes on the scale proposed then are broadly right so that the fact that unemployment has increased substantially in a particular area does not of itself qualify that area for upgrading. Any further adjustments should be concentrated on those areas whose position has deteriorated markedly relative to the rest of the country. This is necessary both to contain the cost of regional aid within acceptable limits and to provide industry with reasonable stability for its investment decisions.

The further adjustments therefore which we now propose as the outcome of our review are relatively few. Nevertheless, I am very grateful to all those who supplied us with much valuable information and advice in support of their representations and I can assure the House that they have all been considered with great care.

We have concluded that four of the Scottish travel-to-work-areas which would have lost assisted area status by two or more stages since 1979 should retain their assisted status. These areas are Lerwick, Kirkwall, Forres and Nairn which will now retain the intermediate area status which they received on 1 August 1980. All have particular problems arising largely from their remoteness from economic centres and thus warrant the retention of some of the incentives to industrial investment which go with assisted area status. For Great Britain as a whole, however, we are satisfied that assisted area status for the remaining areas subject to the special review is no longer justified and the Government intend, as we announced in 1979, to withdraw that status from them after 31 July.

After careful consideration, there are a few other changes which we think it right to propose. The travel-to-work-areas concerned are Teesside, which will become a special development area; Rochdale and Rossendale, which will be designated development areas; Llanelli and

Mr. Biffen: The number of staff in my Department, as in any other, is determined by the volume of business.

Mr. Adley: In the light of that Delphic answer, may I ask whether the Falkland Islands issue led my right hon. Friend to increase his staff? Does his Department have any links with the Ministry of Defence when dealing with national publicity? Given the way in which returning newsmen have criticised the Ministry of Defence's role in dealing with what was, in effect, the Government's and the nation's publicity, does my right hon. Friend consider it worth while, in the television era, to review the steps that should be taken to handle publicity in these circumstances or in the unhappy event of another Falklands-type issue? In that way, we could try to cope with criticisms about censorship and see whether they are justified.

Mr. Biffen: My Department's role in that respect is to co-ordinate the information services of other Government Departments. In that context, we were, of course, in touch with the Ministry of Defence. Although we could clearly hold a productive inquest into how our performance in the South Atlantic was portrayed to the public at home and overseas, I should have thought that it was a remarkable tribute to the way in which information services had been carried out that public opinion was consolidated in such a preponderant majority in favour of the enterprise.

Mr. English: Is it true that a broadcast was made to Argentina in Spanish from the Government's radio station on Ascension Island at the same time as British correspondents and the British media were being forbidden to broadcast it in Britain?

Mr. Biffen: I was not aware of that fact, but I shall inquire into the matter and let the hon. Gentleman have further information.

Members (Accommodation)

34. **Mr. Stoddart** asked the Lord President of the Council how many hon. Members have office accommodation in single rooms.

Mr. Biffen: The number of Members who have office accommodation in single rooms is 247.

Mr. Stoddart: Does not that betray a most unsatisfactory situation? If the House were subject to the

Pontypool, which are currently part development area and part intermediate area and which will become uniformly development areas; and Bolton, Leigh and Northwich which will retain intermediate area status. Apart from these changes, the Government intend that the decisions regarding the assisted areas announced by my right hon. Friend the then Secretary of State in July 1979 will be implemented without further change. Thus from 1 August this year the coverage of the assisted areas will be around 27 per cent. of the working population in the areas with the most persistent problems of high unemployment. We are notifying the European Commission of these changes in accordance with our Community obligations.

My right hon. Friend the Secretary of State for Wales will be announcing separate proposals covering the remote and sparsely populated area of Mid-Wales—[HON. MEMBERS: "How?"]—in a written answer today.

The House will recall that in 1980, following a review of derelict land clearance areas, the Government announced that a number of employment office areas which are due to become non-assisted areas from 1 August 1982 would be designated as derelict land clearance areas. As a result of the decision regarding the assisted areas which I am announcing this afternoon, some of those areas will not now become non-assisted areas and thus will not need to be designated as derelict land clearance areas. The Government have, however, decided to designate additionally the Nuneaton and Bedworth employment office areas as derelict land clearance areas.

The necessary orders to give effect to the decisions will be laid before the House shortly.

When my right hon. Friend the then Secretary of State made his announcement three years ago, he committed the Government to a policy of reducing the unacceptable differences in economic performance between different parts of the country. In carrying this out, we must aim at getting value for money by concentrating help where the need is greatest. It made no sense then—and it would make no sense now—for regional aid to be spread thinly across nearly half the population. Nevertheless, it is right to take account of changed circumstances and, where there has been a marked relative deterioration in particular parts of the country, it is right to adjust the boundaries of the assisted areas to reflect this. I therefore commend my proposals to the House.

Mr. Stanley Orme (Salford, West): Is the Secretary of State aware that, against the background of more than 3 million unemployed and increasing closures in industry, a 1 per cent. increase, in view of the cuts made in 1979, is unacceptable? We welcome the fact that the Secretary of State has seen fit to reprieve some areas, but other areas will suffer. We do not accept that it is a question of spreading money thinly. What has been spread widely across the nation is unemployment and the Secretary of State has a responsibility to do something about that. What is the estimate of new jobs that will be created by his proposals?

What will be the additional total expenditure as opposed to the £233 million that was cut by the former Secretary of State in 1979? How many areas are not covered by the changes and where are they? Will the Secretary of State place a full list and details in the Library?

Why cannot the statement about Wales be made in the House? The Secretary of State has mentioned two areas in

Wales. Why cannot the information about the areas in Mid and Central Wales be given to the House in the normal way?

Against the background of the problems facing British manufacturing industry, the CBI's statement today to the effect that prospects are worsening, that unemployment will increase, that the demand for manufactured products remains weak at home and for exports, and that there is the possibility of only 1 per cent. growth, when will the Government do something about the economy and industry?

Mr. Jenkin: As the right hon. Gentleman knows, it is difficult to measure with precision the effectiveness of any measure of regional aid. Such evidence as exists suggests that it is more effective if it is concentrated directly on the areas of greatest need. To take one example, the signs are that more jobs were created in the assisted areas in the late 1960s and early 1970s than when coverage became wider through the creation of intermediate areas. For that reason, I believe that it is right to retain a policy of concentrating help on the areas of greatest need.

Of course, I acknowledge that unemployment has risen, but the right hon. Gentleman should recognise that it has risen very steeply in other major industrialised countries. For instance, the latest figures from the Department of Employment show that in the three months to May this year unemployment increased by 2 per cent. in the United Kingdom, by 10 per cent. in West Germany, by 10 per cent. in the United States and by 19 per cent. in Canada.

It is impossible to estimate the number of new jobs that are likely to emerge from any regional policy, but the evidence suggests that the policy for the regions and the areas of greatest need will assist in the creation of employment.

The right hon. Gentleman asked about expenditure. The actual expenditure for 1981-82 was about £850 million. The estimate for 1982-83, on a cash basis, is £768 million. The right hon. Gentleman asked me to put full lists in the Library. I shall look into that to discover the most effective way of doing it because I should like to help the House in that regard.

The right hon. Gentleman is being a little churlish about Wales. My right hon. Friend the Secretary of State for Wales is today answering a question setting out in some detail the powers that he proposes to use within the area of the Development Board for Rural Wales in the sparsely populated areas of Mid-Wales. The answer is detailed, and I should have thought that that was an appropriate way of dealing with the matter.

The right hon. Gentleman referred to the economy. I am sure that he will cheer the declining level of inflation. I hope that he will cheer the increasing evidence that we are now through the worst of the recession. I know that he will take comfort from the fact that this Government at least will not have to imitate the Government of France in going back to the policies with which we became familiar in the late 1960s.

Several Hon. Members rose—

Mr. Speaker: Order. Another statement is to follow. Today is a Supply day which means that the Opposition have chosen the subject for debate. I propose to allow questions on this statement to run until five minutes past four. If they are brief, a fair number of hon. Members should be able to ask questions.

Mr. Mark Carlisle (Runcorn): Is my right hon. Friend aware that the decision following the deputation to the Minister of State to retain intermediate area status for the Northwich travel-to-work area will be extremely welcome locally? Is he also aware that in an area where there has been growing unemployment it will greatly help the local district councils in their efforts to widen the employment base of their areas?

Mr. Jenkin: I am grateful to my right hon. and learned Friend. We certainly listen to such points.

Mr. John Morris (Aberavon): Is not the House entitled to know whether Mid-Wales is to be downgraded or upgraded? Is the Secretary of State aware that the Neath river is causing great concern to my hon. Friend the Member for Neath (Mr. Coleman) and myself because there may be a difficulty in the BP Chemicals proposal to build an export terminal? Is the right hon. Gentleman aware that that project may suffer because it will not be eligible for full Government grant as it may be marginally outside a special development area? Will he examine that again?

Mr. Jenkin: I thought that I had made it clear—if I did not, I apologise—that the areas in Mid-Wales are not retaining intermediate area status. For that reason, my right hon. Friend is making proposals for the use of certain of his powers under the Development Board for Rural Wales. My right hon. Friend is answering in detail a written question on the matter. I should have thought that the House would think it reasonable to wait for the answer.

On the question of the availability of development area status for Wales, whereas in England the proportion of population which will retain development area status is 16½ per cent., in Wales it remains 93.9 per cent. I do not think that Wales is doing too badly.

Mr. Alex Pollock (Moray and Nairn): Does my right hon. Friend accept that his statement will be warmly welcomed? Does he agree that the review illustrates that the process is not just sham consultation but underlines the Government's capacity for economic flexibility and change?

Mr. Jenkin: I am grateful to my hon. Friend for what he has said. Those travel-to-work areas in the far north of Scotland face real problems because they are peripheral to the main centres of industrial activity.

Mr. Lawrence Cunliffe (Leigh): Is the Secretary of State aware that the House is, from time to time, thankful for small mercies from this Government—very small mercies indeed? May I remind him that the Leigh constituency is an integral part of the Wigan metropolitan area which was given full development area status under the last assisted area proposals? May I further remind him that his predecessor told a North-West delegation that there was some hope? That hope has turned to hopelessness in relation to unemployment. Does the right hon. Gentleman accept that today, as then, the Government's industrial strategy is abysmal?

Mr. Jenkin: The hon. Gentleman is being a little churlish. Leigh is one of the areas which we have decided should retain intermediate area status. We undertook to review the suggestion that it should be made a non-assisted area and we have decided to keep it as an assisted area. That properly reflects the needs of the hon. Gentleman's constituency.

Mr. Clement Freud (Isle of Ely): While the cosmetic tinkering will be welcomed by my right hon. Friend the Member for Orkney and Shetland (Mr. Grimond) and my hon. Friend the Member for Rochdale (Mr. Smith)—[HON MEMBERS: "Where are they?"]—Does the Secretary of State accept that the areas are designated by the catchment areas of jobcentres, and that the facility of administration and not the needs of an area take first place? What does he intend to do about that?

Mr. Jenkin: The hon. Gentleman is wrong. The specially designated travel-to-work areas, not the employment offices, have been the basis for industrial regional policy under successive Governments. That is intended to reflect as nearly as possible levels of unemployment in an area which can be said to be within a single travel-to-work zone. That is the proper basis on which to found regional industrial policy, and we have stood by that. It is generally recognised that the changes that we have made have benefited constituencies represented by hon. Members from all parties.

Mr. D. A. Trippier (Rossendale): I thank my right hon. Friend for recognising the need to designate Rossendale a development area. Is he aware that it will be warmly welcomed by the local authority and especially by the Rossendale Community Enterprise Trust, which has worked hard to attract new industry to the valley?

Mr. Jenkin: I visited my hon. Friend's constituency and was struck by the determination of his constituents to do everything possible to help themselves. I examined all the factors and decided to grant development area status to Rossendale.

Mr. John Roper (Farnworth): Does the Secretary of State accept that, although the adjustments will be welcomed in the areas that are affected—I welcome the change for Bolton—the proposals fail to tackle the substantial increase in unemployment in the North-West and other regions? Will he bring forward proposals soon to tackle the increase in unemployment?

Mr. Jenkin: The hon. Gentleman does not recognise the fact that, of the limited changes that I have made, five were in the North-West region. We examined the problems of that region with great care. We recognised the serious problems of Merseyside, West Cumbria, Rochdale and Rossendale. We considered carefully the arguments put forward by the North-East Lancashire Development Association, but many of the arguments were not sufficient to lead us to depart from the practice of successive Governments of designating assisted areas by reference to travel-to-work areas. The North-West has not done too badly out of the review, and I hope that the hon. Gentleman, on reflection, will recognise the fact.

Mr. Joel Barnett (Heywood and Royton): Is the Secretary of State aware that, although the people of Rochdale and Rossendale, some of whom are my constituents will be grateful for the upgrading to development area status, they regret the reasons that led to it—the massive increase in unemployment and the sad decline in the textile industry? Now that the area has development area status, will he ensure that he will give rather better assistance in the claiming of EEC grants than he has in the past?

Mr. Jenkin: I am grateful for the right hon. Gentleman's welcome. We intend to make the maximum

use of the European regional development fund. I am advised that we shall take up our full quota. We shall see what we can do to help the areas that face considerable problems, including the right hon. Gentleman's constituency.

Mr. David Crouch (Canterbury): Is my right hon. Friend aware that even in the South-East, which is relatively prosperous compared with the rest of Britain, there are some pockets of resistance, especially on the North Kent coast, with the prospect of the closure of Chatham dockyard, and further along the coast in Herne Bay, where unemployment has already reached 22 per cent.? Can my right hon. Friend offer any flexibility to help such pockets of unemployment and lack of opportunity?

Mr. Jenkin: I have detected almost no pressure from areas in the South-East to be accorded assisted area status. However, my hon. Friend is right to say that those areas also have pockets of high unemployment. Chatham and the Medway towns are examples. That is why we designated the Medway area an experimental area for the special scheme to help those who wished to set up on business on their own. I remind my hon. Friend that for major industrial projects all the powers of section 8 of the Industry Act 1972 remain available. I have made that clear to those in the area who seek reassurance from my Department.

Mr. Les Huckfield (Nuneaton): Is the Secretary of State aware that my constituents in Nuneaton—[AN HON. MEMBER: "Is it Nuneaton or Wigan?"] I thought that someone was about to pay tribute to my success. Is the Secretary of State aware that my constituents in Nuneaton and Bedworth, the local authorities in Nuneaton, Bedworth borough council, Warwickshire county council and the members of deputations with which I have been involved, will be grateful for what he has said? However, is he also aware that, although derelict land clearance area status has now been granted to Nuneaton and Bedworth, it is only a small crumb of comfort to the entire Coventry area? Is he further aware that he must be at least as reassuring about continued support to Coventry-based industries, especially British Leyland and Rolls-Royce?

Mr. Jenkin: The hon. Gentleman may recognise that one reason why we did not feel it right to make any move in the West Midlands, apart from the move in his constituency, was partly that industrialists in the area have not sought assisted area status. Also, many people in the area recognise that, in our policies in support of British Leyland and other such companies, the Government have invested large sums of money that has done much to preserve employment in the West Midlands and elsewhere. People in the area should recognise that, because it has not been done without considerable cost to the taxpayer, all of which must be found by the country at large.

Mr. Hal Miller (Bromsgrove and Redditch): Does my right hon. Friend accept that the major part of the British Leyland money goes by no means to the West Midlands but to the North-West, Scotland and many other areas? Does he further accept that in the West Midlands—an area with the highest rising unemployment in Britain and disadvantaged more recently, as he suggested in his statement—we support the reduction in the number of

assisted areas because we believe that the way forward is by a sectoral policy? How effective are the funds on regional policy compared with the funds distributed on his sectoral policies that we greatly support?

Mr. Jenkin: I am grateful for my hon. Friend's recognition that most West Midlands industrialists would much rather see the burden that regional industrial policy lays on the West Midlands relieved than that the regions should join the ranks of assisted areas. That is what the Government are doing. I remind my hon. Friend that last December we suspended the industrial development certificate scheme, a move that was widely welcomed in the West Midlands.

It is difficult to quantify precisely the employment effect of different measures. Although regional development assistance may have as one of its primary aims the creation of employment in areas of high unemployment, many of the sectoral schemes that we support—for example, in information technology, robotics, microprocessors and computer-assisted design—have as their primary aim the modernisation of the capacity of British industry to compete in world markets. Although that will have a major impact on employment in the near future and in the long term, the measures are not aimed at creating immediate short-term jobs. It is a little difficult to make the comparison that my hon. Friend has asked me to make.

Mr. Charles R. Morris (Manchester, Openshaw): Does the Secretary of State recall, that when his predecessor made his statement in July 1979, he suggested that loss of assisted area status could be interpreted as a sign of hope? Is the right hon. Gentleman aware that his statement today will transform any feeling of hope in Manchester to one of anxiety and despair? Does he accept that to base the designation of assisted area status on unemployment in travel-to-work areas is a statistical nonsense? In Manchester it produces a position where Moss Side, which has 34 per cent. unemployment, is lumped together with Wilmslow in the Cheshire stockbroker belt, where unemployment is insignificant.

Mr. Jenkin: I am not sure on what the right hon. Gentleman suggests we could base regional policy if not on travel-to-work areas. Unemployment in the Manchester travel-to-work area—

Mr. Morris: What about Moss Side?

Mr. Jenkin:—grievous though it is, is below the average for intermediate areas generally. In those circumstances, it would have been inappropriate to have retained assisted areas status for Manchester and its immediate environs, because it would have spread the available money too thinly and not concentrated help on the areas of greatest need.

Mr. Michael Grylls (Surrey, North-West): Given the need to help areas of high unemployment, is my right hon. Friend satisfied that the way in which regional aid is dispensed is the most cost-effective in terms of results and cost to the taxpayer?

Mr. Jenkin: When my right hon. Friend the then Secretary of State made his statement three years ago, he committed the Government to maintaining to the end of this Parliament the broad shape of the regional policy that he announced. We shall have to see to what extent we are getting value for money. As I said to the right hon.

[Mr. Jenkin]

Member for Salford, West (Mr. Orme), it is extremely difficult to be precise about the effects of specific measures when one has a range of measures aiming to help unemployment in the regions. On the whole, we are satisfied that the policy works more effectively the more it is concentrated on the areas of greatest need.

Mr. Gavin Strang (Edinburgh, East): Is the Secretary of State aware that this mouse of a statement shows a scandalous disregard for the problems of the Scottish economy and flatly contradicts the assurance given by the Minister responsible for industry in Scotland that there would be changes in the pattern of regional development assistance in the central belt of Scotland? As the Government have failed to take on board the fact that unemployment in the Edinburgh travel-to-work area is rising faster than in Scotland as a whole and in the United Kingdom as a whole, will the Secretary of State tell the House whether he has ruled out the possibility of another review of the areas that have been downgraded by two stages in the lifetime of this Parliament?

Mr. Jenkin: The level of unemployment in the Edinburgh travel-to-work area, at 11.1 per cent., is lower than the national average, so it would have been a bizarre decision to extend assisted area status to it. I am sure that the hon. Gentleman is aware that in the recession, which has affected the whole nation, the deterioration in Scotland has been less serious than in the country as a whole. [HON. MEMBERS: "No".] Yes. The figures are clear. They have been given in many debates by my right hon. and hon. Friends who are Ministers in the Scottish Office. The deterioration has been less serious in Scotland, which has weathered the recession better than the country as a whole. In those circumstances, to have gone back on the 1979 statement and extended assisted area status to substantial areas in Scotland would have been a retrograde step.

Mr. Robert Atkins (Preston, North): Is my right hon. Friend aware that the people of Preston will understand and support, as I do, the policy that he has enunciated, provided that he can assure me on two matters? First, can he take steps to improve the chances of Preston and other places in getting European moneys, to which they are entitled, when assisted area status is taken away? Secondly, is my right hon. Friend or his Department prepared to support profitable and expert projects such as the P110 at British Aerospace?

Mr. Jenkin: My hon. Friend knows that the European development fund moneys are confined to areas of the country that qualify for assisted area status. Of course, other European moneys under the European social fund, the European Investment Bank, and the non-quota section of the European regional development fund can be available for areas outside the assisted areas. I shall bear in mind what my hon. Friend has said about that matter. He mentioned high technology projects, for example, the aircraft proposals, for which launch aid is being sought. My right hon. and hon. Friends and I are considering those matters. Decisions will be announced in due course.

Mr. Jack Straw (Blackburn): Is the Secretary of State aware that his decision today will be treated with anger and incomprehension by thousands of people in North-East Lancashire, whose lives have been ruined by the

Government's catastrophic policies? Is he aware that there are 13 assisted areas with lower unemployment rates than Blackburn and that in the past two months unemployment in Blackburn has risen by 900 and now stands at over 10,000? What reason is there, apart from political chicanery, for the Government denying assisted area status to the whole of North-East Lancashire, apart from Rossendale, when the Government have continued to give it to Blackpool, which has a lower unemployment rate?

Mr. Jenkin: The hon. Gentleman does his case no good by using exaggerated language. I utterly refute his final suggestion. The changes that I have announced have benefited constituencies represented by members of every political party. The hon. Gentleman referred to the North-East Lancashire development area, which is covered by the North East Lancashire Development Association. I considered extremely carefully the representations that NELDA made to me, but I was not persuaded that it would be right to depart from the policy pursued by successive Governments—that we decide regional policy on the basis of travel-to-work areas. We must look at individual areas and their history and future prospects, taking everything into account. It is for that reason that we felt that Rossendale stood out as an area that needed to retain assisted area status.

I understand the anxiety that the level of unemployment in Blackburn causes the hon. Gentleman, but it is below the average for intermediate areas as a whole. With regard to the area on the Fylde coast, the House will have noticed that we have announced no further downgradings anywhere. The relative levels of unemployment vary from year to year. They were high on the Fylde coast in 1979. Because it would have been necessary to give at least a year's notice of further downgrading, the Government decided as a matter of policy that the review would not involve any further downgrading.

Mr. Alec Woodall: On a point of order, Mr. Speaker. I am in difficulty because I do not wish in any way to criticise you, Mr. Speaker, but in the statement there has been not one mention of crumbs or anything else for Yorkshire and Humberside and not one Yorkshire Member has been called to ask the Secretary of State a question. In Yorkshire and Humberside, especially in my constituency, there are some of the worst unemployment spots in the country. We have not had a chance to question the Secretary of State, which is disgraceful. It is time that the Government did something for Yorkshire.

Several hon. Members rose—

Mr. Speaker: Order. I shall in a moment call the Opposition Front Bench speaker, who will speak for the whole country, as the hon. Gentleman will understand. On these occasions it is impossible to cover every constituency. I have tried to be fair. Because I understood the hon. Gentleman's strong feelings, I allowed him to make his point, although it was not strictly a point of order. I think that the House understood completely that he wanted to make that statement on behalf of Yorkshire.

Mr. Peter Hardy (Rother Valley): On an entirely different point of order, Mr. Speaker. You are entitled to do this, Mr. Speaker, but each time you fix a time when the consideration of a statement will be concluded, Ministers and their supporters tailor the length of their contributions to reduce the opportunities available for Opposition Members to ask questions.

Mr. Speaker: In order to avoid any feeling about that, in future, instead of fixing a time, I shall resort to my custom of saying that I shall take four or five questions from either side and watch the clock, which would prevent that.

Dr. Keith Hampson (Rippon): On a point of order, Mr. Speaker. You know that I do not badger you with points of order, but it is only just to the textile industry of Yorkshire to record that several hon. Members on both sides have been trying to intervene to put the case for the unemployed in the Yorkshire textile areas.

Mr. Speaker: There are other hon. Members who represent other industries and constituencies as well, but the statement must come to a conclusion at some time.

Mr. Ioan Evans (Aberdare): On a point of order, Mr. Speaker. You are aware that several hon. Members from Welsh constituencies have been trying to catch your eye because of the way in which the Principality has been treated. Would it not be helpful for the House if the Secretaries of State for Wales and Scotland also made statements so that those areas could be dealt with?

Mr. Speaker: The first Member I called was the right hon. and learned Member for Aberavon (Mr. Morris), who is a former Secretary of State for Wales.

Mr. John Prescott (Kingston upon Hull, East): Is the Secretary of State aware that his statement has more than the smell of the pork barrel about it? Does he agree that unemployment is no longer limited to a few regions as a result of the Government's policies? Is he aware that unemployment has doubled to 3 million, the South-East has nearly 1 million unemployed and the West Midlands is a candidate for special development area status as a

direct result of the Government's policies? Does he agree that to talk of reducing the number of areas and the amounts of money by £230 million to enable resources to be more thickly distributed is an insult to the unemployed, especially the long-term unemployed?

Will the right hon. Gentleman say what he means by talking about a regional policy within acceptable limits, as unemployment appears no longer to be the main criterion by which assessment is made? Does he agree that regional policy should be reviewed on the basis of mass unemployment throughout the United Kingdom rather than on selected areas as seems to have been the case with his irrelevant statement?

Mr. Jenkin: No doubt the hon. Gentleman feels better for having got that off his chest. I have never said that unemployment is irrelevant to regional policy. As I made perfectly clear in my statement, the fact that unemployment has increased in a given area is not of itself a reason for changing its assisted area status. If regional policy is to mean anything, one must take into account such factors as unemployment and remoteness of an area relative to the rest of the country. Such areas are represented by hon. Members on both sides of the House.

I resent the hon. Gentleman's accusation about pork barrel politics. It is completely unfounded. I believe that we have made reasonable decisions. I never anticipated pleasing the whole House. It is not sensible for nearly half of the country to be covered by regional policy. That would make nonsense of regional policy. We have made the right decision.

As for the comments that have been made about Yorkshire and Humberside, 40 per cent. of the working population there remains in assisted areas. That is not too bad.

British Rail and London Transport (Disputes)

4.12 pm

The Secretary of State for Transport (Mr. David Howell): With permission, Mr. Speaker, I should like to make a statement about industrial action on British Rail and London Transport.

As the House knows, the National Union of Railwaymen is now on strike both on British Rail and the London Transport Underground. Nine London bus garages have also joined in.

The NUR strikes have not been total. Limited services have been running in a number of areas including some into London, but without rail or Underground services the major routes into London have been heavily overloaded with substantial delays, particularly in East and South-East London. Hundreds of thousands of people suffered enormous inconvenience this morning. I congratulate all of them on the initiative and effort that they have shown in getting to work. The help being given by the police, the motoring organisations and the radio stations is also appreciated.

The Government's view is that the strikes constitute a wholly pointless and unwarranted assault on the travelling public. They should be called off without further delay before irretrievable damage is done, not least to the railway system. I understand that the general secretary of the NUR has called ACAS in to help, at 12 hours' notice. But plainly the first requirement is that the NUR and ASLEF should deliver on the productivity arrangements for which they have already been paid and which emerged from the intervention of ACAS last summer. All who want to see a modern and efficient railway should support the British Railways Board in getting these promises on productivity delivered.

On London Transport, the pretext for the strike was flimsy in the extreme. London Transport had already called a cooling-off period for further discussions on its proposals for timetable changes. Negotiations on pay were still in their early stages. There are no grounds whatsoever for throwing over the normal negotiating procedures as the NUR has done.

In full co-operation with the Metropolitan Police steps have already been taken to help ease the traffic situation in London. In addition to 8,000 extra car parking spaces being provided in Central London, arrangements by the Ministry of Defence are now in hand to provide a further 3,500 places in Hyde Park and Regents Park. Parking restrictions and parking meters have been suspended in all side streets. Special efforts are being made to keep the radial routes free of obstruction. Road works are being suspended wherever possible within 60 miles of Central London. Businesses will be asked to minimise heavy goods movements during the rush hours.

In addition, it is essential that people stagger their working hours and, above all, ensure that cars are full and that journeys are shared. We stand ready to introduce all necessary further measures to help the flow of traffic and to ensure that Britain keeps moving. I will keep the House fully informed.

Mr. Booth (Barrow-in-Furness): Does the Secretary of State accept that his primary responsibility is to take those actions which are open to him to keep all transport

services, including the railways, running? In view of that, has he approached either the British Railways Board or the National Union of Railwaymen, or both, with a view to finding an acceptable basis for the settlement of the dispute? Were his provocative and intemperate broadcasts during the weekend calculated to worsen the atmosphere in the dispute, thus making it harder to settle?

Was the Secretary of State's reference to Sidney Weighell, the general secretary of the NUR, asking for the help of ACAS at 12 hours' notice intended to represent fairly the general secretary's actions last week to try to obtain useful results from the ACAS initiative?

The Opposition strongly regret the inconvenience to the travelling public and the damage that the dispute will do to British industry. Nevertheless, the 5 per cent. offer, five months after the due settlement date, can be regarded as hardly adequate, even without the existence of the strings that are attached to it.

Does the right hon. Gentleman accept that the Government's record of running down investment in British Rail has undermined the confidence of the railway work force about the future of their industry? Moreover, does he accept that it has wrecked the understanding that existed between the unions and the board about productivity and investment being linked? Will he acknowledge the repeated warnings that he has been given from this Dispatch Box that the consequences of the Government reneging on their responsibilities to the railways would culminate in the present strike?

Mr. Howell: I note and welcome the right hon. Gentleman's regret about the terrible inconvenience that has been caused to hundreds of thousands of people, many families and many people who are unable to protect themselves. However, the necessary intervention should be with some of the hot heads in the NUR executive. Mr. Sidney Weighell himself called them "a squawking Left-wing rabble". It is to them that advice should be addressed to prevent the union executive from leading the industry and the thousands of workers in it over the cliff edge. The right hon. Gentleman has a part to play in such intervention.

Pay Increases are a matter for the British Railways Board. The right hon. Gentleman will not have forgotten that British Rail employees enjoyed a 20 per cent. wage increase two years ago and an 11 per cent. increase last year. That compounds up to a 33½ per cent. wage increase in the past two years. Many other people would have been grateful for such an increase. It is a considerable increase. The 11 per cent. last year was 8 per cent. pay plus 3 per cent. in return for promises to increase productivity. The NUR agreed to the flexible rosters and in recognition of that was given yet a further pay increase. It is only reasonable that the British Railways Board should seek to get the promises made last year delivered before settling this year's pay arrangements.

Investment and productivity go hand in hand. Ten major projects have been completed or approved and eight more are in the pipeline. If such projects are to go ahead and there is to be more investment in British Rail, they must go hand in hand with modern work practices, as similar schemes have done in every Continental railway system. Let the right hon. Gentleman give that message to the unions. We should then see working properly the new equipment that has already been built and on which

Privy Council Office,
Whitehall,

London, SW1A 2AT

With the Compliments
of the

Private Secretary

to the

Lord President of the Council

NBM

2/6



CR 30
Regional Policy

PRIVY COUNCIL OFFICE
WHITEHALL LONDON SW1A 2AT

25 June 1982

Dear Jonathan

ASSISTED AREA MAP REVIEW

The Lord President of the Council has seen your Secretary of State's minute of 18 June to the Prime Minister concerning this Review.

The Lord President has no comment on the substance of your Secretary of State's proposals and is content to proceed on the basis of an Oral Statement in the House of Commons on Monday, 28 June. He wishes to stress, however, that there is severe pressure on Government time between now and the Summer Recess and does not believe that the Government should give any commitment to a debate on the subject of the Assisted Area Map Review. Nevertheless, since several Orders subject to the negative resolution procedure will be needed to give effect to the Review's conclusions, he believes that the best line to adopt in the event of pressure for a debate would be to point out that the official Opposition will have the opportunity to pray against the Orders, in which case discussions through the usual channels can take place concerning the possibility of finding time for a short debate.

Copies of this letter go to Willie Rickett, Murdo Maclean and David Wright.

W. R. R.
Nick Huxtable

N P M HUXTABLE
Private Secretary

Jonathan Spencer Esq
Private Secretary to the
Secretary of State for Industry
Ashdown House
123 Victoria Street
London SW1

25 JUN 1982

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Prime Minister (4)

ck sv

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

MUS 23/6

My ref: H/PSO/14203/82

Your ref: D/MIN(AF)/PB/1/5

De Peter

[Handwritten signature]

22 JUN 82

ADDITIONAL ENTERPRISE ZONES

Thank you for your letter of 27 May, in which you asked that the Medway towns should be borne in mind in any consideration of possible sites for additional enterprise zones.

We have this week received the early appraisal of the existing zones which provides pointers to guide the selection of any additional zones, and I am sure that it would be right that any site proposed in the Medway towns should be considered in the light of this appraisal. I should stress, however, that, in designating any site as an enterprise zone, we would need the full co-operation of the local authority which would normally be responsible for preparing the simplified planning scheme for the zone. In the case of Chatham, this means that the attitude of Gillingham and Rochester-upon-Medway Borough Councils would be crucial.

I am copying this letter as before.

[Handwritten signature]

MICHAEL HESELTINE

23 JUN 1965



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Regional Policy RM

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10 DOWNING STREET

<u>Cabinet</u>		
(DI)		
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LCO	DoE	LPS
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From the Private Secretary

21 June, 1982

Dear Jonathan,

ASSISTED AREA MAP REVIEW

The Prime Minister has considered your Secretary of State's minute of 18 June about the changes agreed in the Assisted Area boundaries following discussion in the Ministerial sub-Committee on Economic Affairs.

The Prime Minister is content that your Secretary of State should make a statement on the lines of the draft attached to his minute, on Monday, 28 June.

I am sending copies of this letter to the Private Secretaries to members of Cabinet, the Chief Whip, Minister of State, Department of Industry, Sir Robert Armstrong and Mr John Sparrow.

Yours sincerely,

Michael Scholar

Jonathan Spencer, Esq.,
Department of Industry.

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Sub

KSJ

Regional Policy

NBPM

rus 22/6



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From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

21st June 1982

De Michael

ADDITIONAL ENTERPRISE ZONES

I have seen your letter of 10 June to George Younger. I accept the difficulties of including detailed examinations of more than the selected three Zones.

I agree that we should meet as soon as the Consultants' report has been studied to take stock of the conclusions and consider additional designations.

I am copying this as before.

J. [unclear]
Neil

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON SW1P 3EB





JFF925

PRIME MINISTER

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Prime Minister ①

The Chairman is now content with these proposals.

Agreed

Both he and the Lord President are content with the new timing.

ASSISTED AREA MAP REVIEW

Yes

Agree that this statement be made as proposed?

MCJ 18/6

I mentioned briefly at Cabinet yesterday the changes proposed in the Assisted Area boundaries following discussion in the Ministerial sub-Committee on Economic Affairs (E(EA)(82)7th and 8th Meetings) and separately between the Chief Secretary, Treasury, the Secretary of State for Wales and me.

2 Since Cabinet yesterday, I have also discussed the proposals with the Chancellor of the Duchy, who is now content. We have agreed to postpone the Statement until Monday, June 28. While this will not allow the full 40 days for praying before the necessary Orders take effect, I am advised that this should not make for difficulties. There is sure to be pressure for a debate after the Statement. I believe that we should respond favourably, and I should be grateful if the Lord President could look at the possibilities for, say, a half day debate (perhaps from 7.00pm to 11.30pm) before the Summer recess.

3 The background is as follows. When we reviewed our Regional Industrial Policy in 1979 we agreed to retain a three-tier structure - Special Development Areas (SDAs), Development Areas (DAs) and Intermediate Areas (IAs) - but to concentrate assistance on those parts of the country with the most



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intractable problems of unemployment. We therefore agreed that a number of Assisted Areas should be downgraded by one or two steps over a transitional period of three years, with the aim of reducing the proportion of the employed population covered by the Assisted Areas from 40 per cent to about 25 per cent. The first phase of the downgradings took effect on 1 August 1980; the second is due to take effect on 1 August 1982. For some areas the result of double downgrading would be completely to lose their Assisted Area status. We therefore announced in 1979 that these areas should be the subject of a further special review before the second stage of the downgrading took effect this August.

4 Subsequently, in the context of discussions about the regional impact of proposed British Steel Corporation closures, E(EA) agreed that the above review should consider also whether there were areas whose Assisted Area status, or lack of it, might now be thought inappropriate.

5 The changes proposed by the Minister of State, Department of Industry, following this review are set out in E(EA)(82) 13 and 18. Briefly they are to confirm the Assisted Area designations proposed to take effect from 1 August 1982, subject to the upgrading of Teesside to a Special Development Area; the designation as Development Areas of Llanelli, Pontypool, Rochdale and Rossendale; and the retention of Intermediate Area status by



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Bolton, Leigh, Northwich, Forres, Lerwick, Kirkwall and Nairn. The intention of these changes would be to correct only the very worst anomalies which have emerged since our previous review in 1979. No new downgradings were proposed.

6 A majority of E(EA) took the view that it would be untenable for the Government, having reviewed the proposed double downgradings as we promised in 1979, to make no changes whatsoever in the planned Assisted Area boundaries which are due to take effect this August, even although the economic situation has deteriorated markedly during the interim period. However, the sub-Committee were against making major changes in the present pattern of the Assisted Areas during the lifetime of this Parliament. They therefore endorsed the limited changes outlined in paragraph 5. The Chief Secretary, Treasury would have preferred to make no changes and merely to confirm the double downgradings decided in 1979, and initially reserved his position. He has however agreed to lift this reservation subject to the resolution of one outstanding technical point which is being urgently pursued.

7 The proposals put forward by the Minister of State, Department of Industry, involved the removal of Intermediate Area status from mid-Wales. The Secretary of State for Wales took the view that doing so would cause severe political difficulties for the Government in this area at a time when there were signs



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that the policies pursued by the Government and its predecessors were beginning to have some success in counteracting its chronic depopulation problems. In his view it would be essential, if the Government were to proceed with the removal of Assisted Area status from mid-Wales, to put forward a package of policies designed to mitigate the effect. These are set out in E(EA)(82)17. This package has now been agreed subject to the following points. It has been agreed that the proposal that the Development Board for Rural Wales should be permitted to pay grants to industrial undertakings ^ushould be limited in two ways. First, the criteria for offering assistance should be identical to those which apply to selective financial assistance in Intermediate Areas, although the rates of grant would be smaller - 7½ per cent and 11 per cent instead of 10 per cent and 15 per cent. Second, the total of the grants that might be paid in the first full year of the proposed scheme would be limited to £350,000 and not £500,000 as the Secretary of State originally proposed. Some difficulties have emerged over the proposal that tourist grants should continue to be available throughout Wales, and the Secretary of State for Trade is seeking to resolve these.

8 After a great deal of work over recent weeks we have now, subject to the resolution of the outstanding points which are being urgently pursued, devised a balanced package which takes account of our regional policy objectives and reflects the special considerations in Scotland and Wales to which the



CONFIDENTIAL

respective Secretaries of State attach importance. The package will not of course please everyone - that is hardly possible - but the West Midlands will take satisfaction that we have not retreated other than by marginal adjustments from the policy which Keith Joseph announced in 1979. The proposals will have to be cleared with the Commission, but this should not prove an obstacle.

9 I hope therefore that we can proceed as proposed. I attach a first draft of the kind of Statement which I hope to make on June 28. This will require revision in the light of the resolution of the remaining outstanding issues.

10 I am sending copies of this minute to the members of the Cabinet, the Chief Whip, the Minister of State, Department of Industry and Sir Robert Armstrong and Mr Sparrow.

J. P. Spencer

MP

PATRICK JENKIN

18 June 1982

(Approved by the Secretary of State and signed in his absence)

Department of Industry
Ashdown House
123 Victoria Street

ASSISTED AREA MAP REVIEW

DRAFT PARLIAMENTARY STATEMENT

1 With permission, Mr Speaker, I should like to make a statement on regional industrial policy.

2 When my Rt Hon Friend the then Secretary of State made his statement on 17 July 1979 announcing the results of the Government's review of regional industrial policy, he undertook that those former Special Development Areas and Development Areas which were due to become non-Assisted from 1 August 1982 would be subject to a special review before the changes finally took place.

3 Since then, there has been a very substantial increase in unemployment nationwide. And this increase has been the basis of many representations which the Government has received from Hon Members and Local Authorities, seeking improvements in their Assisted Area status. We have therefore also considered other areas as well as conducting the special review, which was confined to the areas which are due to lose Assisted Area status by two or more stages.

4 The changes announced by my Rt Hon Friend three years ago had the effect of reducing the proportion of the population covered by Assisted Areas from over 40% to about 26%. We

believe that 26% is the right order of magnitude so that the fact that unemployment has increased substantially in a particular area does not itself qualify that area for upgrading. Any changes should be concentrated on those areas whose position has deteriorated markedly relative to the rest of the country. This is necessary both to contain the cost of regional aids within acceptable limits and to provide industry with reasonable stability for their investment decisions.

5 The changes therefore which we propose at the outcome of our review are relatively few. Nevertheless, we are very grateful to all those who supplied us with much valuable information and advice in support of their representations and I can assure the House that they have all been considered with great care.

6 We have concluded that Four of the Scottish Travel-To-Work-Areas which would have lost Assisted Area status by two or more stages since 1979 should not become non-Assisted. These areas are LERWICK, KIRKWALL, FORRES and NAIRN which will now retain the Intermediate Area status which they received on 1 August 1980. All have particular problems arising largely from their remoteness from economic centres and thus warrant the retention of some of the incentives to industrial investment which go with Assisted Area status. We are however satisfied that Assisted Area status for the remaining areas subject to the special review is no longer justified and the Government intend, as we announced in 1979, to withdraw that status from them after 31 July.

7 After careful consideration, there are a few other changes which we think it right to propose. The Travel-To-Work-Areas concerned are TEESSIDE, which will become a Special Development Area; ROCHDALE and ROSSENDALE which will be designated Development Areas; LLANELLI and PONTYPOOL, which are currently part Development Area and part Intermediate Area and which will become uniformly Development Areas; and BOLTON, LEIGH and NORTHWICH which will retain Intermediate Area status. Apart from these changes the Government intend that the decisions regarding the Assisted Areas announced by my Rt Hon Friend the the Secretary of State in July 1979 will be implemented without further change. Thus from 1 August this year the coverage of the Assisted Areas will be around 27% of the working population in the areas with the most persistent problems of high unemployment. We are notifying the European Commission of these changes in accordance with our Community obligations.

8 My Rt Hon Friend the Secretary of State for Wales will be announcing separate proposals covering certain isolated parts of mid-Wales.

9 The House will recall that in 1980 following a review of Derelict Land Clearance Areas the Government announced that a number of Employment Office Areas which are due to become non-Assisted Areas from 1 August 1982 would be designated as Derelict Land Clearance Areas. As a result of the decision regarding the Assisted Areas which I have announced this afternoon some of

those areas will not now become non-Assisted Areas and thus will not be designated as Derelict Land Clearance Areas. The Government have however decided to designate additionally the NUNEATON and BEDWORTH Employment Office Areas as Derelict Land Clearance Areas.

10 The necessary Orders to give effect to these decisions will be laid before the House shortly.

11 Mr Speaker, when my Rt Hon Friend the Secretary of State for Education made his announcement three years ago, he committed the Government to a policy of reducing the unacceptable differences in economic performance between different parts of the country. In carrying this out, we must aim at getting value for money by concentrating help where the need is greatest. It makes no sense for regional aid to be spread thinly across getting on for half the population. Nevertheless, it is right to take account of changed circumstances leading to a marked relative deterioration in particular parts of the country and to adjust the boundaries of the Assisted Areas to reflect this. I therefore commend the proposals which I have announced to the House.

POST OFFICE
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17



Prime Minister ②

 Mrs 18/6
 2 MARSHAM STREET
 LONDON SW1P 3EB

My ref: .

Your ref:

18 June 1982

See copy

mb

We will be discussing the question of further Enterprise Zones at the Health of Industry Group meeting next Thursday as a preliminary to subsequent decisions, presumably at E Committee. As you know, following the suggestion in your letter of 30 April, I asked the consultants monitoring the EZs to undertake a quick appraisal of three of the zones. Officials of our departments have seen their draft report.

In the light of the report I believe that we should go ahead, as proposed in my earlier letter, with a decision to designate another 10 EZs, on average smaller than those in the first round.

The attached tables to my mind clearly sum up the benefits of designation to the areas concerned even if there is as yet no evidence of net new growth to the economy. Of course there is more to show at Corby than in the zones in the north of England.

What the tables do not show, though it is brought out in the report, is the impact of the zones in forcing local authorities and other public bodies to re-think their relations with industry and to move from an attitude of regulation and control to one where the vitality of industry in the area is the prime consideration. The report also reveals what a powerful marketing instrument the zones have been for their area. Finally the report brings out the increasing interest in the zones by the owner occupier wishing to develop his own premises, who cannot easily thread his way through the bureaucracy normally involved in development. These conclusions are entirely in line with my experience in discussions, month by month, with those responsible for promoting development in each zone.

In your letter you asked that the consultants should put forward thoughts about the effectiveness of different marketing arrangements. The consultants make it clear that the immediate availability of land and premises is critical in ensuring that firms attracted to the zone by the publicity follow through their initial interest. That is why I have myself been keeping in close touch with progress so that problems are quickly dealt with.

You also asked about policy instruments. The consultants conclude that the rates holiday is the greatest attraction to firms in the zone, though the planning freedoms also seem useful. Although some of the other features of the EZ package are clearly less valuable, I would not wish to change the package at this stage. Besides the inevitable delay in introducing the necessary legislation any changes now might cause confusion in the minds of the investor.

In my earlier letters I emphasised the need to move quickly in designating further zones. I reiterate my point that we gain favourable publicity both from the announcement of the areas to receive zones and from the first things happening on the ground. Only if we announce within the next few weeks that we are prepared to consider bids for more zones will we be able to get the zones operational by Autumn 1983.

I am copying this letter to the recipients of my earlier letter.


Yes *ew*

MICHAEL HESELTINE

TABLE 1 : LAND DEVELOPMENT AND USE 1981-82, ha

	Trafford	Hartlepool	Corby
Total land area less roads 1981	140.8	105.2	107.3
Changes 1981-82*:			
Area brought into use	3.2	6.4	6.0
Area developed (buildings awaiting occupation)	0.6	0.5	8.5
Area under construction	0.9	0.9	12.9
Total	4.7	7.8	27.4

* Period covered: 1/6/81-31/5/82

TABLE 2 : DEVELOPMENT AND TAKE-UP OF FLOORSPACE 1981-82, sq. m.

	Trafford	Hartlepool	Corby
Total floorspace 1981	216,887	51,128	26,904
Changes 1981-82*:			
Floorspace completed	2,785	836	43,144
Floorspace occupied	16,147	13,365	23,576
Floorspace committed but not completed	4,153	2,470	109,369**

* Period covered: 1/6/81-31/5/82

** The floorspace figures for two schemes (sites totalling 4.55 ha) are not known and therefore not included here.

TABLE 3 : NEW FIRMS AND THEIR EMPLOYMENT 1981-82

	Trafford	Hartlepool	Corby
Total firms 1981	54	41	3
Total jobs 1981	1,248	299	-
Additions 1981-82*:			
New firms operating : firms	24	23	23
New firms operating : jobs	216	262	327
Firms committed to occupation but not yet operating**	6	3	10

* Period covered: 1/6/81-31/5/82

** Employment, not known

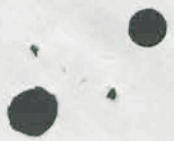
TABLE 4: EZ PROMOTERS ESTIMATES OF NUMBER OF ENQUIRIES CONCERNING ENTERPRISE ZONES

	General enquiries about EZ	Enquiries which have led to serious discussions
Trafford	1,000*	35-40
Hartlepool	700	30-70
Corby	700 **	

* estimate - no detailed record kept

** companies and business enquirers who have visited Corby since EZ announcement

8 JUN 1982





cc JV

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 6161

PA

17 June 1982

Dear Jonathan,

REVIEW OF ASSISTED AREAS 1982: E(EA)(82)17 AND 18

At E(EA) on Wednesday it was agreed that your Secretary of State would discuss further the issues which remained outstanding with the Secretary of State for Wales and the Chief Secretary, Treasury. Ministers met this morning to discuss these issues and I attach a copy of my record of their meeting.

I am sending copies of this letter and of the attached record to the Private Secretaries to the members of E(EA) and to the Private Secretaries to the Ministers of State in the Department of Industry (Mr Lamont) and the Foreign and Commonwealth Office (Mr Hurd).

Yours ever, BM

W MOYES

P.S. Since I understand that there might now be a meeting on this under the Prime Minister's chairmanship I am also sending a copy to Michael Scholar in No. 10.

Jonathan Spencer Esq
PS/Secretary of State for Industry
Department of Industry
Ashdown House

RECORD OF A MEETING HELD IN THE DEPARTMENT OF INDUSTRY AT 9.45AM
ON THURSDAY 17 JUNE 1982

Those present:	Secretary of State for Industry	(in the Chair)
	Secretary of State for Wales	
	Chief Secretary, Treasury	
	Mr W Moyes	(Cabinet Office)
	Mr J Spencer	(PS/Secretary of State for Industry)

THE SECRETARY OF STATE FOR INDUSTRY said that the meeting on the previous day of the Ministerial sub-Committee on Economic Affairs (E(EA)(82)8th Meeting) had left three issues unresolved. First, a majority of the sub-Committee had been prepared to agree to the proposal put forward by the Secretary of State for Wales in E(EA)(82)17 that the Development Board for Rural Wales (DBRW) should be allowed to pay grants to industrial undertakings, on condition that there should be a maximum percentage grant set at a level less than that which applied to selective financial assistance in Intermediate Areas, and that there should also be a limit on the grant payable to a particular project. It had not, however, proved possible to agree whether this limit should be £25,000 or £30,000. Second, the handling in relation to the public expenditure survey of the costs of the changes in Assisted Area boundaries proposed by the Minister of State, Department of Industry in E(EA)(82)18 had not been resolved. Third, the transitional provisions that might be required, were the proposals in E(EA)(82)18 to be approved, would also need to be considered, although this was a matter which might be discussed separately between the Minister of State, Department of Industry, the Chief Secretary, Treasury and the other Ministers concerned. Finally, the Chief Secretary had continued to reserve his position on the proposals as a whole, although he had agreed to review his position in the light of the progress made in resolving the outstanding issues. If changes in the Assisted Area boundaries were to take effect, as planned, from August, the necessary statutory instruments would need to be laid early in the following week. The outstanding points would therefore need to be resolved urgently.

The following were the main points made in discussion:

i. despite the political criticisms which the Government would face the grants which it was proposed the DBRW should be permitted to pay to industrial undertakings would clearly need to be smaller than the grants available in Intermediate Areas. If this were not the case there would be very little point in a decision to remove from mid-Wales its designation as an Assisted Area. The Secretary of State for Wales had agreed at E(EA) on the previous day that the total of the grants payable in the first full year of the proposed scheme should be limited to £350,000. This implied a modest maximum grant for a particular project. But it would be inappropriate to specify such a limit in announcing the scheme. The better approach might be to adopt the guidelines which applied to the provision of selective financial assistance in Intermediate Areas but to set the maximum percentage grant at $7\frac{1}{2}$ per cent, or 11 per cent for those projects which would qualify for the higher rate of grant;

ii. in relation to the transitional arrangements that might be necessary if the proposals in E(EA)(82)18 were to be approved, it was argued that the maximum expenditure involved would be $\pounds\frac{3}{4}$ million, although in practice it was likely to be nearer $\pounds\frac{1}{2}$ million. The legislation required to implement the transitional arrangements would be extremely complex; indeed on a previous occasion similar legislation had had to be withdrawn because of deficiencies in the drafting. Moreover, transitional arrangements of the sort proposed would involve undesirable delay and unnecessary bureaucracy, since every grant application would have to be scrutinised; the costs thereby incurred would be disproportionate in relation to the public expenditure at stake. On the other hand the point was made that the fact that the necessary legislation had had to be drafted on a previous occasion ought to make much easier the task of drafting it this time. Moreover, the sums of money involved were not insignificant. Since the bulk of the resulting savings would accrue from only one project it seemed unlikely that much extra effort would be required;

iii. the costs involved in implementing the proposals in E(EA)(82)18 were very small in relation to the totality of the regional assistance programme and well within the margin of error of its management. The announcement of the Government's decisions could not be delayed, but once it had been made there was no alternative but to make the necessary finance available. The Regional Assistance Programme was demand-led and clearly, therefore, could

not be cash limited. On the other hand, the point was made that it would be quite wrong in principle to pre-empt discussion in the Public Expenditure Survey by accepting now what was in effect a bid for the addition of £8-9 million to the Department of Industry's budget. The rules of the Public Expenditure Survey required that bids for extra provision should be accompanied by clearly identified offsetting savings, and there was no reason why the present proposals should be exempt from that requirement. But it was not the case that the policy changes necessary to secure the offsetting savings should be immediately implemented. Provided that they were clearly identified the question of whether they should be pursued would be a matter for discussion in the context of the Public Expenditure Survey. Meanwhile the implementation of decisions on changes in the boundaries of the Assisted Areas could proceed.

THE SECRETARY OF STATE FOR INDUSTRY, summing up the discussion, said that Ministers had provisionally agreed, subject to further urgent discussions between Treasury and Welsh Office officials, that the conditions under which the Development Board for Rural Wales should be permitted to pay grants to industrial undertakings should be identical to those which applied to the provisions of selective financial assistance in Intermediate Areas except that the rates of grant should be $7\frac{1}{2}$ per cent and 11 per cent. Once the details had been agreed between Departments, the Secretary of State for Wales, in consultation with the Foreign Secretary and the Minister of State, Department of Industry, would need to arrange for his proposals to be cleared urgently with the European Commission. The question of whether transitional arrangements would be necessary in respect of the changes in Assisted Area boundaries proposed in E(EA)(82)18 had not been finally resolved, although the Chief Secretary, Treasury, had agreed not to pursue the point if it appeared that disproportionate costs would be involved. He would write to the Chief Secretary later that day setting out in detail the administrative arrangements which would be required and the extra costs which would thereby arise. It had also been agreed that the Department of Industry's submission for the Public Expenditure Survey should identify specific offsetting savings in respect of the extra costs of £8-9 million involved in implementing the proposals in E(EA)(82)18; the question of whether these offsetting savings should be implemented would be a matter for discussion in the context of the Public Expenditure Survey. Subject to agreement being reached on the two outstanding issues, the Chief Secretary had agreed not to maintain his reservation of principle on the proposals in E(EA)(82)17 and 18. The way was therefore open for an announcement of the Government's decisions early in the following week. He would minute the Prime Minister reporting what was proposed

and circulate with that minute the draft of a statement to the House of Commons. The Secretary of State for Wales should arrange for the separate clearance of the text of his simultaneous announcement on his proposals for mid-Wales.

Cabinet Office

17 June 1982

16 JUN 1982





Prime Minister (4)

ms 11/6

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/13859/82

Your ref:

10 June 1982

De benze

MS

ADDITIONAL ENTERPRISE ZONES

Thank you for your letter of 17 May. I have also received letters of 18 May from Nick Edwards and of 19 May from Peter Walker.

I know that our officials are in touch about the pilot study of 3 of the enterprise zones which we expect to receive in the middle of the month. I recognise the close interest which you and Nick Edwards have in this study and its implications for enterprise zones policy, and I think that it would be right for us to meet with other colleagues, as I suggested in my letter of 6 May to Geoffrey Howe, once the report of the study is before us.

Nick Edwards has proposed that the Swansea zone might be included in the pilot study. I am afraid that this has not proved possible. The pilot study has had to be confined to 3 zones, and those chosen - Corby, Trafford and Hartlepool - were picked to reflect as wide a variety as possible of differing characteristics (development prospects, public/private land-ownership, assisted area status etc). In considering the study, however, we shall wish to draw on what knowledge we have of the experience of all the existing zones; and it is still the intention that the consultants carrying out the monitoring study should produce a report later in the year on all the zones.

I welcome Peter Walker's continuing interest in the policy. I recognise his preference for urban rather than greenfield sites, which the initial designations of zones largely met. The pilot study will, of course, throw further light on the factors to be taken into account in the selection of any further zones.

I am copying this letter as before.

yours

Michael Heseltine

MICHAEL HESELTINE



11 JUN 1982

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cc Mr. Mount
Mr. Vereker
Mr. Scholar

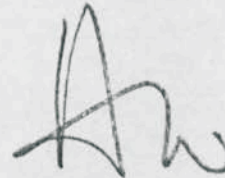
PA
Regional Pol.

MR. SMITH

REGIONAL POLICY - NATIONAL INSURANCE DISCOUNTS

I have heard from Eileen McKay that there is a working party, related to MISC 14, which is dealing with long-term policy with respect to regions. It is chaired by Michael Quinlan and is producing an interim report for July, the final report is due at the end of the year. It might be a good idea to see whether they are considering the sort of measures which you suggested.

I am also told there is a working party on Northern Ireland and the problems of expenditure to promote employment. Apparently it was a consequence of the Harland and Wolff issue. It is being chaired by John Marshall of the Northern Ireland Office.



ALAN WALTERS

1 June 1982

CONFIDENTIAL



MINISTER OF STATE FOR
THE ARMED FORCES

D/MIN(AF)/PB/1/5

Prime Minister (2) *Reynolds Policy*
Mus 27/5
MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-218 2216 (Direct Dialling)
01-218 9000 (Switchboard)

27 May 1982

Dear Michael,

ADDITIONAL ENTERPRISE ZONES

John Nott has asked me to look at the question of increasing the number of Enterprise Zones, which was the subject of your letters of 7th April and 6th May to Geoffrey Howe. We have also seen the contributions from other colleagues mentioned in your second letter.

I do not want to address the questions of whether or when the Government should establish another group of Enterprise Zones. Your second letter proposed a way of reaching an early decision on these issues. But I would like to register the claims of the Medway area for a zone, or zones, if more are to be created. We have yet to make a significant response to the local pressures for some kind of Government measure to counter the effects of closing the naval base. I need not spell out the political complications, which the Falklands crisis has done nothing to reduce. If there are to be more zones, I do not think we could contemplate the omission of the Medway towns. Even if we decide not to go for a major extension of the Enterprise Zones I believe there would still be a case for considering making Chatham an exception, and I hope you and the colleagues who will be considering the way forward will bear this possibility in mind should the consensus go against a general extension.

I am copying this to those who received your letter.

yours ever,
Peter

PETER BLAKER

The Rt. Hon. Michael Heseltine, M.P.

CONFIDENTIAL



10 DOWNING STREET

cc Mr Lamont
Mr Vardar
Mr Scholten -
Mr Smith

Reg Pd

Norman Lamont, Esq., MP,
Department of Industry,
Ashdown House,
123 Victoria Street,
London, SW1.

25 May 1982

Dear Norman

E(EA)(82)13: REVIEW OF ASSISTED AREAS

I have read with great interest your memorandum on this subject and the accompanying report by your officials. I agree generally with your recommendation and I see it as most important from an economic policy standpoint that we stand by our declarations of concentrating on areas of the greatest need and the concomitant but not insignificant public expenditure savings.

I am, however, somewhat concerned about one aspect of the European Community considerations, namely the possibility that it could be difficult to demonstrate that we shall not be able in future to fill our "quota" of receipts from the ERDF. I fully appreciate your reasoning, but bearing in mind the rapid growth recently of the ERDF which is expected to continue, could I put to you one idea that we have had here which might serve to alleviate some of your difficulties.

Special interest has been expressed here on measures which would be aimed to increase the productive capacity and utilisation of the labour force. One particular idea I would like to suggest to you in an ERDF context is that of an explicit regional labour assistance funded by the Community. This would equate in some way to the former Regional Employment Premium which was, of course, withdrawn by an earlier Administration. But instead of a Premium we would see such assistance in the form of a regional reduction in the Assisted Areas in the present employer's National Insurance Surcharge. More important, we believe it should not be discriminatory (like the old SET) but apply to all employees of private firms or agencies. We would exclude only public sector employees.

We think a good economic case can be made for such a reduction. It would attack particular distortions now evident in the labour market caused by the present tax-benefit system by reducing labour costs in areas where this distortion appears heavily discriminatory against the unskilled and low-paid. Since regional wages cannot drop below national benefit levels, there is at present no mechanism to reduce wage costs to get such immobile workers back into jobs. It should be possible to provide estimates of the

/cost per job created.

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- 2 -

cost per job created. The proposal should therefore be seen not as a subsidy, but as a positive means of removing distortions, bringing about more competition and increasing employment opportunities.

Perhaps you will give me your reaction to this suggestion.

I am copying this letter to James Prior, George Younger, Nicholas Edwards, Douglas Hurd and Adam Ridley.

James Prior
Alan Walters

ALAN WALTERS

CONFIDENTIAL



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London SW1P 3EB

19 May 1982

✓ JV
Regional Pol.

NBPM

ms 1/5


ENTERPRISE ZONES

I have been following the recent correspondence on the above subject with interest.

Although this is essentially a matter affecting the responsibility of other Departments, I must say I have considerable sympathy for what you have suggested. If it is felt that some further review of the experience gained to date is necessary it seems to me that Geoffrey Howe's suggestion in his letter to you of 30 April is sensible and I am glad to see that you propose to proceed on these lines.

I would not wish to be directly involved myself in the further Ministerial discussions that you and Geoffrey envisage. I would however like to be kept in touch generally as matters develop. I also assume that, if we do decide to extend our policy, we would, as before, continue to encourage the development of urban sites rather than green field sites.

I am copying this letter to the Prime Minister, members of E Committee, George Younger, Nicholas Edwards and Sir Robert Armstrong.

PETER WALKER



19 MAY 1982

GC JV
Regional Policy

WBPM

MUS 18/5



Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)

Oddi wrth Ysgrifennydd Gwladol Cymru

The Rt Hon Nicholas Edwards MP

From The Secretary of State for Wales

18th May 1982

Dear Secretary of State

Thank you for sending me a copy of your letter of 6 May to Geoffrey Howe. I welcome your suggestion that I should take part in the discussions on the consultants' report.

I understand that the consultants will be concentrating on 3 Enterprise Zones only, all in England, and taking them as illustrative of the various types and various stages of development of zones. I wonder whether the choice may prove to be too limiting or restrictive. Certainly I would be happy if the Swansea zone, which was the first zone established and is now among the most successful, were to be included in the immediate review.

I am copying this to recipients of yours.

Yours sincerely
Carys Evans

Approved by the
Secretary of State and
signed in his absence

The Rt Hon M Heseltine MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON



Prime Minister (4)

MS 18/5

cf SV

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
2 Marsham Street
LONDON SW1

[Handwritten signature]

17. May 1982

Dear Michael,

ADDITIONAL ENTERPRISE ZONES

I have seen the recent correspondence beginning with your letter of 7 April to Geoffrey Howe. Like Patrick Jenkin and Norman Tebbit I think it is too early yet for us to be able to say with conviction that the Enterprise Zone idea, as now established in the 10 experimental zones, can be regarded as having proved itself. I too would prefer to wait for the results of the monitoring before going for the establishment of further zones, but agree that the early assessment you propose in your letter of 6 May will enable us to see the way forward more clearly.

I should like to be associated with the work on this matter from now on, and as soon as we are sure that we are on the right lines, I would certainly want to see the introduction of further zones in Scotland.

Copies of this letter go to the Prime Minister, to the Members of E Committee and to Nicholas Edwards and John Nott

Yours waf,

Cunneen



Prime Minister (2)
Mrs 7/5

cc SV
Regional Pl

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:
Your ref:

ms

6 May 1982

Sir Geoff

ADDITIONAL ENTERPRISE ZONES

Thank you for your letter of 30 April. I have also seen Nicholas Edwards' letter of 20 April, Norman Tebbit's letter of 28 April to me and Jim Prior's letter of 19 April and Patrick Jenkin's of 23 April to you.

I agree that before deciding on further zones, it would be helpful to have some views from our consultants on the explanations of different rates of progress between the zones and on the effectiveness of the different policy instruments and management arrangements. I am, however, reluctant to wait until their full report in the Autumn as Norman and Patrick suggest. Whilst I accept Norman's point that this would still enable us to invite more bids before the election, I do not think it would bring us the full benefit that an early decision would provide. Our experience of the first zones is that as much impact derives from the first things happening on the ground as from the announcement. If the new zones are to produce development by Autumn 1983 a decision on whether or not to go ahead with more zones is required by the Summer.

I therefore intend to ask the consultants to carry out the early assessment of the type you propose. I am sure I can count on all Departments for support in providing any necessary information for the consultants. The report should be ready by mid-June. We can then meet, as you suggest, to agree the way forward. As well as Patrick Jenkin and Norman Tebbit I think it would be helpful if Jim Prior, George Younger and Nicholas Edwards could take part in these discussions.

I am copying this to the recipients of my earlier letter.

you are
Michael Heseltine

MICHAEL HESELTINE

Sir Geoffrey Howe

CONFIDENTIAL



file

B/c: Mr Verelker

Regiment
M. Kelly

10 DOWNING STREET

From the Private Secretary

4 May, 1982

Review of Regional Economic Policy

The Prime Minister has now seen the Chancellor of the Exchequer's minute of 15 April proposing a review of regional economic policy.

The Prime Minister agrees that there should be such a review, to be substantially completed by the end of 1982, and to be carried out by a team of officials chaired by the Treasury. She is content with the terms of reference attached to the Chancellor's minute, and agrees that no announcement should be made about the review, and no report published, as proposed in the Chancellor's minute. Finally, she agrees that the review should be supervised by the Chancellor's Ministerial Steering Group on Government Strategy (Misc 14), augmented as necessary.

I am sending a copy of this letter to the Private Secretaries to the Secretaries of State for Education and Science, Northern Ireland, the Environment, Scotland, Wales, Industry and Employment, the Head of CPRS and to Sir Robert Armstrong.

M. C. SCHOLAR

5

Peter Jenkins, Esq
HM Treasury

CONFIDENTIAL

CONFIDENTIAL



Prime Minister (2)
Mrs S/S
CC JV

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

30 April 1982

The Rt. Hon. Michael Heseltine MP
Secretary of State for the Environment

Mr Heseltine

ENTERPRISE ZONES

Thank you for your letter of 7 April. I was most interested to read the progress report on the zones; some of them, like Corby, Swansea and Clydebank, seem to have achieved remarkable progress in a very short time, even though others have not taken off in the same way.

As you know from our talk a couple of days ago, I very much share your hope that we can build on the successful experience. But I still think we need an opportunity to consider quickly just what is the soundest basis on which to do so. I gather that consultants employed by your Department are assessing the various factors which may explain the different rates of progress as between zones. I can see that waiting until their full report on the zones' first year of operation is available in some months time would impose too much delay in getting ahead. But I understand that they would be prepared to provide, within one month, a "qualitative assessment" with an appraisal of why some zones have been more successful than others. That should provide useful guidance. If at the same time they put forward some thoughts on the effectiveness of different policy instruments and administrative or marketing arrangements, that too would be helpful.

I suggest that the consultants be asked to provide an interim report on the time-scale I have suggested. So soon as that was available you could draw up specific proposals; and we could meet, perhaps with Patrick Jenkin and Norman Tebbit, to agree how to move forward most effectively.

I am copying this letter to the recipients of yours.

Geoffrey Howe

GEOFFREY HOWE

5 MAY 1982



5 MAY 1982

CONFIDENTIAL

(2)

cg JV

Prime Minister

I think you have

2 pps

the Chancellor's

minute,

MCS 28/4

Ref. A08255

PRIME MINISTER

Agreed

Review of Regional Economic Policy

TPM

The Chancellor of the Exchequer minuted you on 15th April proposing:

terms of reference

- (i) That there should be a review of regional economic policy substantially completed by the end of 1982, with a view to changes, as necessary, in the next Parliament.
- (ii) That this should be an internal review carried out by a team of officials chaired by the Treasury.
- (iii) That no announcement should be made about the review and no report published but that, if asked, the exercise should be presented in a low-key way as a joining together of Departmental expertise to work on continuing issues.
- (iv) That the review should be supervised by the Chancellor's Ministerial Steering Group on Government Strategy (MISC 14), augmented as necessary.

2. All Departments concerned are agreed that it would be useful to have a review with the scope and timescale proposed. Any political risks and any risks of creating uncertainty in the minds of potential investors should be minimised by the proposal to have a "low-key" internal review.

3. On handling I agree that it would be useful to have the exercise supervised by MISC 14. This would avoid setting up new Ministerial machinery and thus contribute to the objective of maintaining a low profile; it would also be appropriate, since MISC 14 is designed to deal with longer-term issues which affect the work of many Departments. It would not be for MISC 14 to take decisions on the review. The Chancellor envisages merely that the Group would offer advice on the report when it is available. At that stage, in early 1983, you would no doubt want to have a discussion under your chairmanship, probably in E Committee.

4. Subject to your own views, I would see no reason to dissent from the Chancellor's proposals.

RA

ROBERT ARMSTRONG

28th April, 1982

CONFIDENTIAL



Regional Policy 2 JV

Prime Minister (4)

Caxton House Tothill Street London SW1H 9NAF

Telephone Direct Line 01-213 6400 GTN 213

Switchboard 01-213 3000

MS 28/4

Rt Hon Michael Heseltine MP
 Secretary of State
 Department of the Environment
 2 Marsham Street
 LONDON SW1

28 April 1982

R Michael,

ms

ENTERPRISE ZONES

Thank you for sending me a copy of your letter to Geoffrey Howe of 7 April in which you propose that we should take steps to establish a further ten Enterprise Zones (EZs).

The trouble about this is that although from all accounts the establishment of some of these zones at least has had an excellent psychological impact locally, we cannot yet point to concrete evidence that the benefits of the EZs are commensurate with their costs. We do not know to what extent development and expansion in the zones are genuinely additional to what would have taken place anyway; how much of it has been at the expense of areas outside the zones; and whether the kind of developments taking place are the most beneficial in terms of economic regeneration. This lack of concrete evidence is hardly surprising when the first zone to be established is still less than a year old. But it will be some time before the consultants you have employed are ready to provide a full analysis of the effects of the EZs.

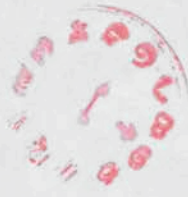
I appreciate that nearly a year is needed between a fresh round of bids being invited and new zones being established, and that if we await concrete results from the study it may not therefore be possible to establish more EZs before the election. But provided the early results of the study are favourable we should have ample time at least to invite more bids, and thus to demonstrate that the experiment is successful and that we are reinforcing success.



I suggest therefore that we should revert to this matter when fuller information is available from your consultants on the effects of the existing EZs.

I am copying this letter to the Prime Minister, members of E Committee, the Secretaries of State for Scotland and Wales and the Secretary of State for Defence.

J. Norman



2011.11.11



Secretary of State for Industry

Prime Minister (4) ✓ SV
ms 26/4
DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

23 April 1982

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Whitehall SW1

Dear Geoffrey,

I have seen Michael Heseltine's letter to you of 7 April proposing an early announcement of a second tranche of Enterprise Zones.

2 I am bound to say that I have serious reservations about such a course. In principle we are all of course keen exponents of the principles of freedom from constraint and the unshackling of private enterprise which underlie the EZ concept. But we must nevertheless take a hard look at the realities of the experiment to date, assessing very carefully the effectiveness of the existing EZs, before we contemplate any more.

3 If we are to do this, then I fear that the Progress Review attached to Michael's letter does not seem to demonstrate the sort of success we had hoped for. Variations in the success rate are clear: contrast, for example, Speke - where no private sector development has occurred - and Corby. Even where we can see apparent signs of effectiveness, to what extent can they be attributed to the EZ benefits? The three most successful appear to be Corby, Swansea and Clydebank. The Corby DA is anyway proving remarkably successful at attracting investors and it is certainly arguable that regional policy benefits and location would have been sufficient to induce most of the EZ development in any case. Both Swansea and Clydebank have I know been the subject of remarkable promotion efforts on the part of the Development Agencies - and the SDA were, I believe, concentrating on Clydebank even before we created the EZ. To what extent must we attribute the success to this factor?

4 Michael's Department has of course a full programme of monitoring in hand. But I gather no results are to be available before the end of the year. Surely then would be the time to consider a second tranche - when we know something about the factors at work, the desirability of the present EZ package and why some EZs have been conspicuously less successful than others. Action now would be very much a leap in the dark which might well do long-term damage to the EZ concept itself.



5 Moreover, I know you will have in mind the relevance to this question of the proposed Inter-departmental Review of Regional Economic Policy. Although EZs have always been considered not to be an instrument of regional policy, they are widely seen as such and must presumably be considered by the Review. The Review will, more generally, enable us to clarify our views on the desirability and effectiveness of investment-encouraging instruments of all types - questions are of course highly relevant to the future development of EZs. It will be completed by the end of the year at the latest. At that time the first results of the EZ monitoring exercise will also be available and to my mind this will certainly be the right time to consider the scope for extending the EZ experiment.

6 I am copying this to the Prime Minister, Members of E Committee, George Younger, Nicholas Edwards and John Nott.

Yours ever
Ratul



26 APR 1982

Prime Minister (2) see JV
Reg Bl



Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)

Oddi wrth Ysgrifennydd Gwladol Cymru The Rt Hon Nicholas Edwards MP From The Secretary of State for Wales

CONFIDENTIAL

MS 20/C
20th April 1982

John Niddall

Thank you for sending me a copy of your letter of 7 April to Geoffrey Howe about progress on Enterprise Zones.

Certainly it may not be too early to be considering additional Zones if resources permit and we have enough evidence on which to base an assessment. But if we are to do this, I hope we shall base consideration on the needs of individual areas rather than any too fixed ideas about either total number of Zones or their locations. For my part, I see scope for at least two more Zones in Wales (you will recall for example our discussion over a year ago about designating a Zone on Deeside) and I could not really go along with the heavy emphasis on Zones in England your letter implies.

I am sending copies of this to the Prime Minister, members of E Committee, George Younger and John Nott.

for esw
Neil

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON

20 APR 1982

0 11 12 1
9
8 7 6 5 4 3 2



Prime Minister (4)

Ms 20/4

Northern Ireland Office
Stormont Castle
Belfast BT4 3ST

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

19th April 1982

Geoffrey Howe

MS

I have seen Michael Heseltine's letter of 7 April proposing a second "tranche" of Enterprise Zones.

We have had representations for further Enterprise Zones from several towns in Northern Ireland outside Belfast and I would welcome the opportunity to extend the experiment beyond Belfast where - as Michael's Annex A shows - we have made an encouraging start.

I therefore strongly support his proposal for an early decision in principle to enable us to get action on the ground next year. I would like to feel that, particularly if the zones were small, I could bid for more than one for Northern Ireland so as to benefit more than one of the towns outside Belfast where unemployment is up to 36.5%.

I am sending copies of this letter to the Prime Minister, Members of E Committee, George Younger, Nicholas Edwards, John Nott and Sir Robert Armstrong.

Geoffrey Howe

20 APR 1982

0 1 2 3
4 5 6 7
8 9

PA. 115 24/5
 Prime Minister ① ~~25~~



Treasury Chambers, Parliament Street, SW1P 3AG
 01-233 3000

Agree that a review of
 regional policy should
 go ahead, as proposed?

PRIME MINISTER

MES 16/4

REVIEW OF REGIONAL ECONOMIC POLICY

On ~~17~~ March my Ministerial Steering Group on Government Strategy (MISC 14) agreed, in discussion of a paper by the Central Policy Review Staff (MISC(82)2), to recommend to you that there should be a review of regional policy. I have subsequently provisionally agreed with the Ministers directly concerned what might be the arrangements and terms of reference for work by officials on this review. The purpose of this minute is to invite you to consider these proposals.

2. The CPRS argued, in paragraphs 7 and 8 of their paper, that there is a need for a wide-ranging and fundamental review of regional policies. The present policy of regional industrial assistance rests on the assumption that subsidies to capital investment in manufacturing industry are the most effective means of achieving the objectives of generating wealth and employment in local economies. They question whether this assumption still holds and whether it would be better to have separate policies for industrial assistance and for regional employment.

3. MISC 14 agreed that there was a strong case for a wide-ranging internal review with a view to changes, as necessary, in the next Parliament. We considered carefully whether there was a risk of misunderstanding of the Government's intentions when, as must be highly likely, it became publicly known that work had been put in hand. We were satisfied, however, that the effectiveness of the present regional policy, and the direction which it might take in future, is already a matter of public debate. As you know, the NEDC had a long and wide-ranging discussion of regional policy on 3 March on the basis of a paper by the TUC. That discussion, and the issues raised there and elsewhere, provide a ready answer as to why the Government should look at the future of regional policy.



We could also make clear that the aim would be to improve the effectiveness of regional economic policy, not to abandon it, and we could repeat our assurances on the importance which the Government attaches to stability in regional policy over the lifetime of the present Parliament. In any case I think that we can minimise possible difficulties about public presentation if we represent the exercise (should we be asked - I do not envisage that we should volunteer any announcement) as a joining together of departmental expertise to work on continuing issues. It should be understood from the outset that there is no question of publishing a report.

4. We suggest that, since the work would cover a wide range of economic issues, it should be led by a Treasury Deputy Secretary, Mr. Quinlan, and that the full members of his group should comprise representatives of the Treasury, the Departments of Industry, Employment and Environment, the Scottish, Welsh and Northern Ireland Offices and the CPRS, with other Departments with an interest receiving the main papers and attending meetings as necessary. I propose that the group should be free to draw upon outside experts on a discreet basis if that proved to be useful, but that there should be no systematic consultation with outside interests.

..... 5. After consulting the other Ministers directly concerned I propose that the terms of reference might be as in the attached draft. We have tried to strike a balance between the needs of calling for a wide-ranging review and of avoiding one so broad as to be unmanageable. The target of producing a substantive report by the end of 1982 is intended to ensure proper momentum in the work, but it is a stiff target. We shall be better able to judge how difficult it will be when the scope of the work becomes clearer. I suggest that officials should be asked to make an interim report about this before the summer recess.

6. Progress on work will need oversight by Ministers and you will wish to consider how this might best be arranged. I suggest that the most convenient solution might be to use the existing machinery of MISC 14 - the Ministerial members under my chairmanship are the



Secretaries of State for Education and Science, Environment, Industry and Employment - together with the Secretaries of State for Northern Ireland, Scotland and Wales with other Ministers attending as necessary. This group would discuss the report by officials in the first instance and then put it to you with their advice. You would then wish to consider how it should be handled further.

7. I should be grateful to know whether you endorse MISC 14's view that there should be a review of regional economic policy and, if so, whether you are content that it should be carried out on the lines proposed in this minute. If the exercise is to go ahead you may feel that it would be useful to inform all members of the Cabinet of its existence and objectives.

8. I am sending copies of this minute to the Secretaries of State for Education and Science, Northern Ireland, the Environment, Scotland, Wales, Industry and Employment, the Head of the CPRS and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G.H.' with a flourish at the end.

(G.H.)
15 April 1982

REVIEW OF REGIONAL ECONOMIC POLICY

Draft Terms of Reference

1. Regional economic policy should be taken to compromise instruments and measures available to Government (central or local) to influence substantially the establishment, maintenance and growth of industrial and commercial activity and employment in favour of particular areas. Account should be taken of relevant European Community activities.
2. The review should concentrate upon Great Britain, but take into account Northern Ireland aspects as appropriate.
3. The review should derive from available evidence the main features of regional economic imbalance and the causes underlying it, and should identify the main objectives of regional economic policy against the background of the Government's general economic approach.
4. The review should analyse the nature of and interactions between current and planned activities of central Government, Government agencies and local authorities.
5. The review should examine the cost-effectiveness of these activities and other possible ways of supporting regional economic development in relation to the objectives identified at 3 above.
6. The review should make recommendations for any changes judged desirable, on the basis that in general these would take effect in the next Parliament. It should report progress and seek guidance as necessary from Ministers concerned, and should aim at producing a substantive report by the end of December 1982.

J

Prime Minister (4)

Regional Policy



2 MARSHAM STREET
LONDON SW1P 3EB

Mus 7/4

My ref:

Your ref:

7 April 1982

I enclose at Annex A a report on the workings of the 10 Enterprise Zones now in operation. The remaining one, in the Isle of Dogs, will be designated at the end of next month. The report is in summary form for ease and speed of comparison.

My own view is that the policy to embark on such Enterprise Zones has been more than justified by experience and has fully lived up to your original concept.

We now have to make a decision about whether we wish to see any more within a time scale that will have an impact within the lifetime of this Parliament.

As you know, there are statutory procedures as set out in Annex B. Before these come into play we would have to select the next group of sites from the bids we would get from local government or the private sector. If we invited bids this Spring, we would not get the chosen Zones designated before the end of this year.

For results to be seen next year on any scale, therefore, we would need to take an in principle decision shortly.

I would go for another tranche of about 10: one each to Scotland, Wales and Northern Ireland, if they so wish, and seven for England. Based on past experience I would aim for smaller sites (200-250 acres), the costs of which in England could rise about £18m per annum for rates compensation and about £9m per annum for the capital allowances. There is plenty of room to avoid competition, particularly as industry is more optimistic now.

I am copying this to the Prime Minister, members of E Committee, George Younger, Nicholas Edwards and John Nott.

Yours

MICHAEL HESELTINE

The Rt Hon Sir Geoffrey Howe QC MP

ENTERPRISE ZONES: PROGRESS REVIEWSalford

Private developers are to construct 25,000 sq m of speculative industrial units on land owned by the City Council. The Manchester Ship Canal Company has also started infrastructure works (with Urban Programme support) to service a 9 ha development site in the Salford Docks.

Trafford

Projects providing 40,000 sq m of new or refurbished industrial floorspace are committed or under construction. There is a steady take up of premises in the new industrial estates included within the EZ.

Wakefield

Land disposals have been agreed for three projects providing in all around 25 new industrial units and a further two warehouses to be built for owner occupation. Two out of five previously empty factories are now occupied with a net addition of 55 jobs.

Dudley

Projects providing 17,000 sq m of floorspace in speculative industrial units are under construction. 10 units, providing 2,000 sq m of floorspace, have been completed and are fully let. Herman Smith, in conjunction with an American company, plan a new plant to supply high technology components to the United States.

Hartlepool

12 development projects or new lettings under active discussion, 800 sq m of new factory floorspace under construction and 7 previously vacant premises have now been let with a net addition of approximately 50 jobs.

Corby

Nearly half the land in the zone has been disposed of or firm options taken out and of this almost half is already the subject of specific development proposals. 6 private companies are currently building factories for their own occupation and several more have bought, or are in the process of buying, land with the intention of doing so. The first phase of 12 factories built by the New Towns Commission have been let and they are now constructing a further 30,000 sq m of advance units. Another company is investing £25m in two projects (a flour mill and a starch factory) for which construction is underway.

Tyneside (Newcastle/Gateshead)

In Newcastle, Vickers have commenced construction of their 36,000 sq m new premises at Scotswood and a small development of speculative units has also started. In Team Valley, EIE have completed a development of 24 units, a further 7,500 sq m of private factory and warehouse floorspace are under construction and 14 projects have reached various stages of negotiation. Elsewhere in Gateshead 7,000 sq m of warehouse/factory floorspace are under construction and negotiations are proceeding on 3 further projects.

Spoke

EIE are expected to complete their development of 68 industrial units by the end of the first quarter of 1982. Clearance and demolition on the Dunlop site are well underway. Discussions are proceeding on the servicing of the airport land and the refurbishment of the BL factory.

Swansea

47 firms have moved into or set up in the zone since the EZ announcement, 7 of which are new ventures. Construction of 11,000 sq m of floorspace has commenced since designation, a further 30,000 sq m is committed or proposed, 65% by private firms or developers.

Clydebank

Since the EZ announcement 82 companies with a total potential for 950 new jobs have moved into, set up or expanded in the zone. Of these 32 are entirely new ventures. 30,000 sq m of floorspace is currently under construction and a further 20,000 sq m is committed.

Belfast

8 projects for conversion or redevelopment under active discussion. A further 4 new warehouse developments have started on site.

Isle of Dogs (designation expected April 1982)

Six major development projects in various stages of negotiation including the Daily Telegraph who have plans for a new production plant which would provide over 2000 jobs. 8 temporary lettings of existing premises agreed.

March 1982

	TOTAL AREA NET OF ROADS ha	PRE - DESIGNATION				ESTIMATED CURRENT POSITION					% of availab. land* fully developed or committed to be fully developed
		IN BENEFICIAL USE ha	%	AVAILABLE FOR DEVELOPMENT OR DEVELOPED BUT VACANT ha	%	COMMITTED ha	DEVELOPMENT STARTED ha	DEVELOPMENT COMPLETED ha	VACANT PREMISES OCCUPIED ha		
SALFORD)	150.7	32.8	22	117.9	78	6.0	1.2	0	0	6	
TRAFFORD)	140.7	21.0	15	119.7	85	9.8	2.4	0	4.9	14	
WAKEFIELD	57.0	20.9	37	36.1	63	2.6	0	0	1.5	11	
DUDLEY	197.6	83.7	42	113.9	58	0.2	4.4	0.6	0	5	
HARTLEPOOL	105.2	7.0	7	98.2	93	N.A.	0.2	0	0.8	1+	
CORBY	107.3	4.6	4	102.7	96	3.3	10.2	8.6	0	21	
NEWCASTLE)	68.4	36.2	53	32.2	47	0	9.8	0	0	30	
TEAM VALLEY)	122.2	41.5	34	80.7	66	N.A.	1.9	4.5	0	8.	
GATESHEAD)	191.6	56.4	29	135.2	71	N.A.	1.7	6.5	0.3	6+	
SPEKE	135.3	8.3	6	127.0	94	0	2.4	0	0.3	2	
SWANSEA	269.5	48.1	18	221.4	82	7.6	1.5	2.7	0	5	
CLYDEBANK	180.2	54.8	30	125.4	70	5.9	8.2	1.3	4.3	18	
BELFAS	211.6	73.4	35	138.2	65	6.5	5.2	0	0	8	

* These estimates take no account of land which companies may have acquired for future expansion or development, nor of land which is being serviced for development but where there are no specific development commitments

ENTERPRISE ZONES: MINIMUM TIMETABLE FROM MAY ANNOUNCEMENT TO DESIGNATION

<u>Process</u>	Minimum period required (weeks)	TIMETABLE FROM MAY ANNOUNCEMENT
<u>Announcement</u> - bids invited from local authorities. Notify EEC		1 May
Local authorities prepare and submit bids (time allowed for local authority to obtain Councils' backing)	6	
Evaluation of bids and sites by DOE	6	
<u>Selection of sites</u>		24 July
Negotiation of boundary and informal negotiation on planning scheme	12	
Informal consultation on boundary		
<u>Statutory Invitation</u> to prepare EZ schemes		16 October
Statutory consultations on scheme in draft	5	
Publication of draft scheme and inviting of public representations	7	
<u>Adoption</u> - scheme adopted by local authority		8 January
<u>Period for Legal Challenge</u>	6	
<u>Making and Laying of Order</u>	2	
<u>Order lies before Parliament</u>	3	
Enterprise Zone comes into operation		26 March
	47	

MFJ

Regional Policy

22 February 1982

Thank you for your letter of 15 February about Mr. John Prescott's proposed meetings with your Department's Regional Directors.

I have mentioned this to the Prime Minister, who has raised no objections to what is proposed.

MS

D.A. Edmonds, Esq.,
Department of the Environment.



Prime Minister

4

You may wish to be aware that Mr Heseltine ~~is~~ has authorised DOE officials to talk to the Opposition spokesman on Devolution.

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/11004/82

Your ref:

15 February 1982

MCS 17/2

Dear Michael

My Secretary of State has had an approach from Mr John Prescott in his capacity as shadow appointee for Regional Affairs and Devolution. Mr Prescott is embarking on a series of visits to English Regions, Scotland and Northern Ireland in the next few months and will be having discussions with local authorities, development agencies, regional bodies etc.

Mr Prescott asked if he could talk to the "Regional Planning Executives" about the "problems of the regions".

In response my Secretary of State has decided that Mr Prescott should be invited to arrange a meeting with the Department's Regional Director in each region who will be authorised to give Mr Prescott a factual account of current issues in the region with any necessary chapter and verse. The Regional Director would not of course discuss policy developments though where there was a clear and announced Government Policy on a particular issue he would no doubt refer Mr Prescott to it.

*Yours ever
D A Edmonds*

D A EDMONDS
Private Secretary



Secretary of State for Industry

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

3 December 1981

Michael Scholar Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

NBPM

Dear Michael

SUSPENSION OF INDUSTRIAL DEVELOPMENT CERTIFICATE (IDC) CONTROLS

In his letter to the Secretary of State for Wales of 30 November, my Secretary of State proposed that the Government should announce the suspension of IDC controls during tomorrow's Debate on the West Midlands.

2 My Secretary of State discussed his letter with those Ministers most directly concerned with IDC policy and they are content with his proposal. We have had no other comments. Mr John MacGregor will, therefore, announce this decision during tomorrow's Debate.

3 I am copying this letter to the private secretaries to the recipients of earlier correspondence on this subject and to the private secretaries to the Leader of the House and the Chief Whip.

Yours ever

Richard

RICHARD RILEY
Private Secretary



CE 34
40
AW
61

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Patrick Jenkin MP
Secretary of State
Department of Industry
Ashdown House
123 Victoria Street
London SW1E 6RB

3 December 1981

to Patrick

IDC POLICY

below

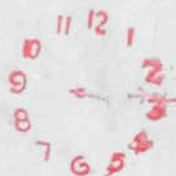
Thank you for sending me copies of your correspondence with Nick Edwards and George Younger, ending with your letter of 30 November, about possible changes in IDC policy.

I agree that there is a case for suspending IDC control and the forthcoming debate on Friday seems to provide a suitable opportunity to announce the change.

Copies of this letter go to the recipients of yours.

LEON BRITTAN

- 4 DEC 1981





Prime Minister

②

Ms 3/12

Caxton House Tothill Street London SW1H 9NAF

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

GTN 213

Rt Hon Patrick Jenkin MP
Secretary of State for
Industry
Ashdown House
123 Victoria Street
LONDON
SW1

2 December 1981

D. Peabrick,

IDC POLICY

Thank you for copying to me your letter of 10 November to George Younger suggesting possible changes in the system of Industrial Development Certificates. I have also seen his reply of 24 November and Nicholas Edwards' letter of 23 November.

I entirely agree with you that the IDC system has had its day. I understand Nicholas Edwards' concern that this would be regarded as a weakening of our regional policy, but I am sure he would agree that, subject to the important question of presentation, there is no point in maintaining a burden on industry that has next to no practical value.

As to the timing of an announcement, I think that George Younger and Nicholas Edwards have a point in saying that there would be advantage in waiting until the results of the review of Assisted Area boundaries are available and announcing the two things together. By then nearly three years will have elapsed since Keith Joseph's announcement about regional policy on 17 July 1979, in which he said "I am satisfied that the IDC procedure can still be useful" - long enough for us to contend that conditions have



altered in the meantime. Unless there is a pressing need to go ahead now I would therefore think it better to include this in the outcome of the Review.

I am copying this letter to the recipients of yours.

M. ...
Norman

-2 DEC 1981





Northern Ireland Office
Stormont Castle
Belfast BT4 3ST

NBPM

The Rt Hon Patrick Jenkin MP
Secretary of State for Industry
Department of Industry
Ashdown House
123 Victoria Street
LONDON
SW1E 6RB

2 December 1981

Pat Jenkin

IDC POLICY

Thank you for sending me a copy of your letter of 10 November to George Younger proposing a suspension of the present system of IDC controls.

I agree that these controls have outlived their usefulness and I agree that they should be suspended.

I am copying this letter to recipients of yours.

*Yours
Pat Jenkin*



2 DEC 1981



Secretary of State for Industry

DEPARTMENT OF INDUSTRY
 ASHDOWN HOUSE
 123 VICTORIA STREET
 LONDON SW1E 6RB
 TELEPHONE DIRECT LINE 01-212 3301
 SWITCHBOARD 01-212 7676

AD
 JV
 BT
 AW

NDC

Told Ian Ellison

PM has seen.

MCS 1/12

30 November 1981

Rt Hon Nicholas Edwards MP
 Secretary of State for Wales
 Welsh Office
 Gwydyr House
 Whitehall SW1

Prime Minister

Content for Mr MacGregor
 to announce suspension of IDC
 controls, on 3 December?

MCS 30/11

Dear Nick,

IDC POLICY

Thank you for your letter of 23 November commenting on the possible changes in IDC policy outlined in my letter of 10 November to George Younger. I have also seen George's response of 24 November.

2 Whilst I would not wish to under-estimate the points you make in your second paragraph, I do not think they are decisive arguments against ending IDC controls. I accept that the IDC procedure has some value as a source of information about potentially mobile projects but I do not believe that retention of the control can be justified on information grounds alone nor that it is a necessary underlay for our policy of steering inward investment as far as possible to the Assisted Areas. As far as your suggestion that the exemption limit should be raised from 50,000 to 100,000 square feet is concerned, I do not think that this would serve any real purpose; in particular, it would do little to reduce the substantial administrative burden on industry and would virtually eliminate the scope for departmental staff savings. If we are to make changes in current policy, suspension is the only realistic option.

3 As regards the timing of any change, there is, as George Younger says, a case for delaying any announcement until we have completed next year's review of Assisted Area boundaries. On the other hand, an immediate announcement that we are suspending the control would help us considerably in resisting further claims from the West Midlands for Assisted Area status and would be warmly welcomed by industry and by our supporters. Nor can I see that it makes sense to continue even for a short time to operate an expensive and burdensome control which no longer serves any effective purpose.



4 I believe we should make an announcement at the first suitable opportunity and I propose therefore that John MacGregor in winding up next Friday's debate on the West Midlands - which will certainly produce strong complaints about IDCs from Members on both sides of the House - should make it clear that whilst maintaining a strong regional policy we intend to take immediate steps to suspend IDC controls. Unless I hear anything to the contrary by 11am on 3 December, I will assume that you and other recipients of this letter are content with this course.

5 I am copying this letter as previously to George Younger, Jim Prior, Michael Heseltine and Norman Tebbit and to the Prime Minister. Copies of the letter and our previous correspondence on this subject also go to other E(EA) colleagues and to Sir Robert Armstrong.

You see
Patel

30 NOV 1984

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CONFIDENTIAL

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(4)

SCOTTISH OFFICE
WHITEHALL LONDON SW1A 2AU

Prime Minister

MUS 25/11

The Rt Hon Patrick Jenkin MP
Secretary of State for Industry
Ashdown House
123 Victoria Street
LONDON
SW1E 6RB

24 November 1981

mf

IDC POLICY

Thank you for your letter of 10 November about your proposal to end the current system of IDC controls.

I recognise that as presently operated the control is of no practical value in regional policy terms and that ending it would seem a logical step to take. It would also, as you say, be in line with our overall policy of reducing administrative burdens on industry. Nevertheless, the control has long been regarded as a regional policy instrument and an announcement to end it will be seen, however unjustly, as a weakening of our regional policy effort and as evidence of a lack of commitment to the assisted areas. There would be all the more danger of this, in my view, if such an announcement were to be associated with any decisions which may be made to reduce the rate or coverage of Regional Development Grants.

I am not inclined to argue for retention of the control but I think it is essential to get the timing and presentation of the announcement right. I am strongly of the view it should be delayed until it can be linked with our announcement of decisions on the assisted areas review. This would place the matter in the context of our overall regional policy and might serve as some comfort to those areas which are losing their assisted area status.

I am copying this letter to the recipients of yours.

GEORGE YOUNGER

25 NOV 1997

11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31



Prime Minister

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MUS 25/11

WELSH OFFICE
GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER
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Y SWYDDFA GYMREIG
GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)



Oddi wrth Ysgrifennydd Gwladol Cymru

The Rt Hon Nicholas Edwards MP

From The Secretary of State for Wales

CONFIDENTIAL

23rd November 1981

De Parvill

ms

Thank you for sending me a copy of your letter of 10 November to George Younger about possible changes in the existing system of IDCs.

I start from the position that IDCs have undoubtedly in the past contributed much to development in areas such as Wales and that any move formally to abolish them would be regarded as a step back favouring the non-assisted areas. For a variety of reasons, of course, the control's immediate value in diverting industrial growth to areas which are in particular need of it has become less in recent years but I would be reluctant to agree that we should now abandon the control on that count alone or indeed on the basis that it will secure administrative savings. While I do not in any way underestimate the importance of the latter I believe the cost of the control can be justified in two ways. First, the continuing need to know of companies investment plans at an early stage in order that the advantages of assisted area locations can be brought very clearly to their attention at that time and second, the need to ensure to the maximum extent that we can that new projects being set up by overseas companies are located in assisted areas. In some circumstances we may have to concede on this requirement in order not to lose a project to the UK but such cases are at best bound to be few and if we do wish to keep them to an absolute minimum this can best be done by having the IDC control in the background.

I would therefore prefer no change but I wonder whether simply raising the ceiling, for example to 100,000 sq ft, would be a possible course to follow. Such a change could be made now and without technical difficulty. If thereafter we felt obliged to go further I would want to argue for suspension rather than abolition of the control and a deferral of any announcement, as you mention in your letter, until it could be set in the context of a wider statement on regional policies.

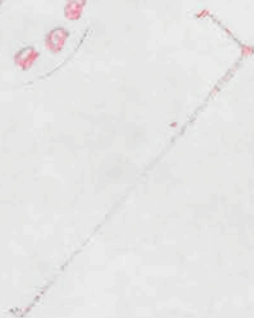
I am sending a copy of this letter to the Prime Minister, George Younger, Jim Prior, Michael Heseltine and Normal Tebbit.

Patrick Jenkin
Nick

The Rt Hon Patrick Jenkin MP
Secretary of State for Industry
Department of Industry
Ashdown House
123 Victoria Street
LONDON

123 NOV 1987

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NOV 1987





DEPARTMENT OF INDUSTRY
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Key
Pd

Secretary of State for Industry

10 November 1981

The Rt Hon George Younger MP
 Secretary of State for Scotland
 Scottish Office
 Dover House
 Whitehall
 London SW1

mb.

Dear George,

IDC POLICY

I am writing to seek your views and those of colleagues on possible changes in the present system of IDC controls.

2 You will recall that in July 1979, Keith Joseph abolished IDCs in Intermediate Areas and raised the exemption limit in non Assisted Areas to 50,000 sq ft. Subsequently, in June 1980, we made IDCs for speculative developments freely available subject only to the condition that no part of a development covered by an IDC could be occupied by a firm moving from the Assisted Areas (AAs) and that no firm could occupy more than 50,000 sq ft.

3 The broad effect of these changes is reflected in the attached breakdown of applications received between August 1979 and 30 June 1981. This shows that 372 applications for developments over 50,000 sq ft were submitted in this period (against total applications of 3,700 in the two years up to August 1979) of which speculative developments accounted for about half. All were approved. The exemption limit was set at 50,000 sq ft because it was felt that the control was useful in identifying large projects which were potentially mobile but, so far as I am aware, the procedure has caused few, if any, firms to relocate their projects in the AAs.

4 In the circumstances, I have been considering whether IDCs as presently operated serve any useful purpose. Ending the control would be entirely consistent with our aim of reducing burdens on industry and with the general thrust of our industrial policy. The CBI regards IDCs as a major dis-incentive to new investment outside the AAs and believes that the policy is detrimental to



industrial efficiency and the economy as a whole. Ending the control would also produce significant savings in Civil Service staff costs, £100,000 a year immediately in DOI and more from 1 August 1982 when the control is due to be re-imposed in areas losing AA status. Against this, any change in the present system would be presented by our opponents and the regional lobby as a weakening of regional policy but, conversely, the removal of the control would be warmly welcomed in the West Midlands and, for this reason, helpful in resisting claims for AA status from that region. It would also avoid the political problems involved in re-introducing IDC requirements next August in downgraded areas. The regional policy arguments thus cut both ways.

5 My view is that the IDC system has outlived its usefulness and that we should bring it to an end. IDCs played a positive role in regional policy in the 1960s but there are now far fewer mobile projects and the main focus of regional policy now and in the future must necessarily be on encouraging indigenous growth in the AAs though the development of new and existing businesses. IDCs are largely irrelevant to such a policy and the limited contribution they can make is outweighed by the substantial cost of operating the control and the negative effects on industry. In practice, the only thing lost if the control was ended would be the opportunity to ensure that firms considering new investment were aware of the incentives available in the AAs but we could meet criticism on this score by stepping up our current efforts to improve industry's awareness of regional (and national) incentives and by making it clear that inward investment - which accounts for a substantial proportion of the large mobile projects coming forward in any one year - will continue to be steered as far as possible to the AAs. For the rest, all we would be doing would be to bring the policy into line with what has been the practice under successive governments over the past 10 years.

6 If we do decide to end the control, we have two main options:

- a outright abolition; or
- b suspension through legislative action.

Intermediate options - eg raising the exemption limit so that the control bites on only a handful of cases or indicating to industry that all applications will be approved automatically - are ruled out on legal grounds and would neither remove the burden on industry nor produce any worthwhile savings in manpower.

7 Abolition has political attractions but would require primary legislation to repeal the relevant provisions of both the Town and Country Planning Act 1971 and the Town and Country Planning



(Scotland) Act 1972. Suspension, on the other hand, could be achieved by a Statutory Instrument subject to negative resolution which revoked the current Orders (one covering England and Wales, the other Scotland) which prescribe the classes of industrial buildings covered by IDC controls. There is of course a fine distinction between abolition and suspension but so far as industry (and the regional lobby) is concerned the practical effect would be the same. My view is that given the difficulties and delays involved in primary legislation we should opt for suspension.

8 We also need to consider the timing of any action with some care. If we are going to suspend the control, logic suggests we should do as quickly as possible but there is a case for doing nothing until we have completed next year's review of AA boundaries and then announcing suspension and the results of the review at the same time. Presentationally, there may also be advantage in delaying action on IDCs until any changes arising from the current discussions about Regional Development Grants have been announced and taken effect. On balance, I am still inclined to move quickly.

9 I am copying this letter to Nicholas Edwards and Jim Prior and to Michael Heseltine and Norman Tebbit since both have a departmental interest in IDCs. In view of the close interest she took in the 1979 policy review, I am also sending a copy to the Prime Minister.

Yours
Kitt

ANNEX 1

IDC APPLICATIONS : 1 AUGUST 1979 - 30 JUNE 1981

	Over 50,000 sq ft to 100,000 sq ft				Over 100,000 sq ft				Total			
	No	Area	Est Additional Employment		No	Area	Est Additional Employment		No	Area	Est Additional Employment	
		'000 sq ft	Males	Total		'000 sq ft	Males	Total		'000 sq ft	Males	Total
Aug-Dec 1979	41	2762	760	2041	20	4686	949	1921	61	7448	1709	3962
1980	104	7549	4533	6513	70	15899	2585	4452	174	23448	7118	10965
Jan-June 1981	66	4952	1040	1519	71	15919	2545	7661	137	20871	3585	9180
TOTAL	211	15263	6333	10073	161	36504	6079	14034	372	51767	12412	24107

Notes: (1) A further 65 applications were received in this period involving developments of less than 50,000 sq ft.

(2) All applications were approved.



1981

Regional A.



2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

10 July 1981

Mr Clive

As you requested yesterday evening I attach short briefing notes on the Merseyside UDC, and the Enterprise Zone at Speke. Given the shortage of time, these have been prepared by the Private Office: I have no reason to doubt our accuracy!

*Yours
D A Edmonds*

D A EDMONDS
Private Secretary

Clive Whitmore - No 10

MERSEYSIDE URBAN DEVELOPMENT CORPORATION

1. The UDC was established on 25 March 1981. The Board, appointed by the Secretary of State for the Environment, is:

Chairman: Leslie Young (Chairman of Bibbys)

Deputy-

Chairman: Sir K Thompson (Merseyside CC)

Sir T Jones (Leader of Liverpool City Council)

Councillor Glover (Sefton MBC)

Councillor Hale (Wirral MBC)

Mr Carter (Managing Director, Littlewoods)

Professor Ashworth (Prof of Urban Studies, Salford University)

Dr Boaden (Dean of Social Studies, Liverpool University)

John Leighton-Boyce (Deputy Chairman, Pilkingtons)

2. The powers of the UDC are set out in Part XVI of the Local Government Act 1980. They are extensive. The Secretary of State can designate "if it is expedient in the national interest" any area of metropolitan land as a UDC area. The object of the UDC is to secure urban regeneration. It may acquire land, instal main services such as water, gas and electricity, and carry on businesses. It can build industrial, commercial and housing premises. It has full planning and building control powers in the defined urban development area.

3. The Merseyside UDC covers about 900 acres of mainly derelict or rundown dockland on both sides of the river in Liverpool, Sefton and Wirral. The aim is to bring that land back into economic use on the shortest possible timescale. The Board - already operating from offices in central Liverpool with a staff rising to 50 in August, led by a Chief Executive with experience of new town development - is being backed with £17 millions of government finance in 1981/82. The Secretary of State for the Environment sees the Board Chairman often, and met the whole Board in Liverpool 2 weeks ago.

4. Much of the budget in 1981/82 will be devoted to land acquisition and clearance, as an essential precursor to economic development. 508 acres of mainly public sector land are about to be vested in the Board (the Orders are before the House of Commons today, 9 July). This land is

*The Orders were approved in the Commons and go to the Lords on 10 July.

mainly discarded and derelict dock and railway land. A series of tasks will be undertaken to get the land, quickly, into active use: filling of docks, repair of lock gates, refurbishing buildings, clearance of derelict buildings, and road and environmental improvement. The immediate aim is to create sites which are attractive to private investors - especially small businesses. There is demand for advance factories. Jobs will be created in the clearance/rehabilitation work, as well as in the businesses which will locate in the UDC area. There will be early opportunity too for private sector residential development.

5. The UDC is working closely with the City Council, local business, and trade unions: it is willing to undertake work in conjunction with the City wherever this is possible. It has prepared an initial development strategy. The Board will remain too in very close contact with the Secretary of State for the Environment, who has emphasised the need for maximising private sector investment on the shortest possible timescale.

DOE

9 July 1981

Reviving the riot-torn centre of Liverpool

Rhys David on a land redevelopment plan

PLANS to devote large areas of land for industrial, leisure and residential development close to the riot-torn centre of Liverpool were unveiled yesterday by the Merseyside Development Corporation. The body was established earlier this year by the Government to revive the city's redundant dockland.

The corporation—sister to similar organisation covering London docks—will, subject to parliamentary approval, acquire ownership on Saturday of 500 acres of land, mostly on the Liverpool side of the Mersey. It says it has almost 50 schemes already identified and waiting to be started.

A total of £17m has been voted to the corporation for the current year, a large part of which seems likely to go on land acquisition. An application for bigger funding next year was made recently.

The corporation is expecting to act mainly as a pump primer, improving the dockside infrastructure and attracting private capital to embark on development schemes.

The difficulties of the scheme

are likely to have been exacerbated by the events of the past week, says Mr Leslie Young, chairman of the Corporation and also of one of Merseyside's biggest companies, the Biffy Group. "They make it that much more important, however, that we succeed," he added.

The plans unveiled by Mr Basil Bean, the corporation's chief executive, cover three main dockside areas, Bootle, Wirral and Liverpool's South docks. He promised a visual impact as well as a modest alleviation of the unemployment in the area within 18 months.

Bootle is close to the Royal Seaforth terminal where the Mersey Docks and Harbour Company is concentrating most of its activities. Efforts will be made in the area to market plans for port-related industry but, if these fail, other developments will be invited. On the opposite Wirral bank of the Mersey, the corporation is planning to undertake a programme

of land reclamation, releasing land for industrial, commercial, recreational and residential development.

The most important contribution will be the opening up of Liverpool's now disused South Docks for a variety of uses. The land stretching for several miles along the Mersey south from the Pierhead had been effectively shut off from the rest of the city by dock operations, all of which have been transferred further down river.

The corporation's plan, coupled with road developments in the area, would extend the boundary of the city to the river front, it is hoped, and create new amenities for local people including those in the neighbouring Toxteth area.

The plans include the restoration of deep water for some of the bigger docks, enabling visiting naval and other vessels to be accommodated again. The work will involve the rebuilding of some locks.

Shallow water will be withdrawn in some of the other docks — all of which are badly silted up — so that they can be used for pleasure purposes. Buildings in the area will be refurbished where possible, and some converted to residential accommodation.

New factory accommodation will also be provided. Part of the area will be reserved as open space. A river side promenade is to be built.

The corporation was created by the Government to break the stalemate over land development in Liverpool — where thousands of acres are owned by public bodies such as the Docks Company and British Rail. The Port of Liverpool is under obligation to use the proceeds of land sales to pay off debenture holders who lost money when the previous port authority went bankrupt 10 years ago.

As a result, it has been reluctant to release land at

depressed prices. The district valuer will now decide, however, the payment it should receive for transferring land to the corporation. Apart from the 500 acres which the corporation is acquiring this weekend, the designated area covers a further 365 acres, some of which is the subject of negotiations between the port and other possible buyers.

The corporation's success is likely to depend on the enthusiasm with which private sector developers respond to the infrastructure improvements it will be making. It faces strong competition from the new towns in marketing its sites but Mr Bean said he was confident the riverside was an asset which would prove very attractive.

Work on some of the scheme is starting immediately. The overall programme is expected to take about eight-nine years. The £17m made available to the corporation—mainly in grants and loans—is on top of a similar sum which the Government is providing this year to the Liverpool inner city partnership for schemes in areas like Toxteth.

FT 10/7/81

SPEKE ENTERPRISE ZONE

1. Speke is one of the 11 sites in the UK which are to become enterprise zones. The area of the Speke Zone covers 340 acres, comprising 2 large vacant factories (formerly BL and Dunlop), a small English Estates estate, and part of Speke airport. Speke is about 4 miles from the centre of Liverpool.

2. The powers to create EZs are contained in section 179 and schedule 32 of the Local Government Act 1980. There has been delay in getting the Zone going because of the statutory procedures which are necessary before EZs can be set up. The process started a year ago with a formal invitation from the Secretary of State to the prospective enterprise zone authority (EZA - Liverpool) to prepare a scheme, which would set out the planning regime which the authority would agree to. In the case of Speke there were lengthy informal discussions before this outline was agreed and the precise boundary of the zone was fixed. (For later zones the processes have been expedited.)

3. The EZA has now published a draft scheme and has considered public comment on it. Although there is still some ^{slight} risk of legal challenge, the Secretary of State now proposes to lay the designation order establishing the Speke EZ area at the end of this month and the Zone will then come into operation.

4. The EZ benefits are (for a 10 year period):

- i. exemption from DLT
- ii. 100% capital allowances for commercial and industrial building
- iii. exemption from rates on commercial and industrial property
- iv. simplified planning control
- v. freedom from IDC controls
- vi. exemption from the industrial training levy
- vii. reduction in government statistical enquiries
- viii. speedy decisions on any remaining controls.

5. The airport land in the site will not be available until some infrastructure works have been completed.

6. The BL factory, comprising 1 million square feet, is likely to be taken over by an investment company: about 300,000 square feet is understood to be going to an international wine and spirit importers for use as a distribution depot. The remaining 750,000 square feet will be let

for other warehousing or manufacturing use.

7. A number of companies have expressed interest in the Dunlop factory, again comprising 1 million square feet, although we have heard that one company may take over the whole site.

8. Interest in the EIEC site, comprising a number of small factory units, has been considerable. Since the announcement of the EZ last year, almost all of the units (totalling 100,000 square feet) have been let or are in the process of being let.

DOE

9 July 1981

NOTE OF A VISIT: LIVERPOOL: 7 JULY 1981

The Home Secretary visited Liverpool on 7 July 1981 to assess the situation in the city following the disturbances of the preceding four nights. Mr. Phillips, Mr. Grant and Mr. Walters accompanied the Home Secretary throughout the visit.

2. The Home Secretary was met on his arrival in Liverpool by the Chief Constable, who updated the report he had given to the Home Secretary the previous day. The Home Secretary was given a brief tour of the scene of the disturbances, and he was able to continue his discussions with senior officers of the police, fire, and ambulance services over lunch. In addition, the Home Secretary held separate meetings with local authority representatives, the Chairman of the police authority, the Archbishop of Liverpool and the Bishop of Warrington, and a delegation led by the Chairman of Merseyside Community Relations Council. Notes of these meetings follow.

MEETING WITH LOCAL AUTHORITY REPRESENTATIVES

Present:	The Lord Mayor	(Councillor Cyril Carr)	} Liverpool City Council
	Sir Trevor Jones	(Liberal Group Leader)	
	Mr. John Hamilton	(Labour Group Leader)	
	Mr. S. Airey	(Conservative Group Leader)	
	Mr. A. J. Stocks	(Chief Executive)	
	Mr. W. I. Murray	(Solicitor)	
	Mr. R. M. Kirkham	(Solicitor's Department)	
	Councillor W.A. Wiseman	(Chairman)	} Merseyside County Council
	Councillor J. Stuart-Cole	(Leader of the County Council and Labour Group)	
	Councillor Mrs M. Simey	(Chairman of the Police Committee)	
	Councillor G. Bundred	(Deputy Chairman of the Police Committee)	
	Councillor N.C. Goldrein	(Leader of the Conservative Group)	
	Councillor F. Doran	(Deputy Leader of the Liberal Group)	
	Councillor S. T. Moss	(Conservative spokes- man on the Police Committee)	
	Mr. R. F. O'Brien	(Chief Executive)	
	Mr. C. K. Wilson	(County Solicitor and Secretary)	

3. In a wideranging discussion, the local authority representatives made the following points:

- (i) there was general agreement that racial tensions had made at most a minor contribution to the origins of the disorders; however, it was acknowledged that there was some degree of tension between the indigenous white population, the long-established black community, and the more recent immigrant arrivals. A great deal of work had been

put into maintaining good race relations in the area, although there was some evidence that extremists were trying to exacerbate the tensions which did exist;

- (ii) it was also argued that poor housing and environmental conditions were not largely to blame. A good deal of money had been spent on improving the existing housing stock and building new accommodation; in addition, much work had gone into improving the local environment. Trees had been planted, and open spaces laid out;
- (iii) it was further said that educational provisions in the Liverpool 8 area were not poor by the standards prevailing in the city. Indeed, there was an over-provision of primary schools in view of falling school rolls. However, the proposal to close Paddington Comprehensive School had provoked a great deal of hostility in the area, and the local authority representatives urged the Home Secretary to use his influence with the Secretary of State for Education to prevent this proposal from being implemented;
- (iv) the local authority representatives were unanimous in agreeing that the underlying cause of the problems in Liverpool 8 was the extremely high level of unemployment in that district, particularly among black people. It was said that the seemingly endless succession of factory closures had undermined morale, particularly among young people, to the point where they now saw themselves as having little hope of ever obtaining employment or achieving a decent standard of life. In this context, the Government's temporary employment and training schemes were of little help - young people going into them were well aware that they had little prospect of a job afterwards. The need was for long-term measures to create worthwhile training opportunities and new jobs. Some of the local authority representatives stressed that unemployment, though important, was by no means to be seen as the whole explanation for the disturbances. Other areas of the city - for example Kirby - also suffered very high levels of unemployment;
- (v) there was general agreement that the police had done a very good job in controlling the unrest, and the local authority representatives said that they had done their best to make public their appreciation of the work which the police had done in these extremely difficult circumstances. However, it was argued that the style of policing which had been adopted in Liverpool 8 appeared to have aroused considerable local hostility. In the view of the local authority representatives, this had something to do with the use of motorised, rather than foot, patrols, and the abandonment of small local stations in favour of larger, but more remote buildings; it had perhaps more to do with what the local authority representatives described as an over-frequent use of the "sus" laws (by which they appeared to mean the use of stop and search powers rather than the suspected person

provisions themselves). Although there had probably always been a degree of hostility towards the police in the Toxteth area, a generation had certainly grown up which regarded policemen as their enemies. There was no doubt that Liverpool 8 was an area in which there were many complaints about the number of burglaries and street crimes. However, there was an urgent need to devise methods of policing which would tackle these problems without arousing undue antagonism from the local community;

- (vi) it was argued that the pattern of the rioting illustrated the nature of the alienation which was felt by the people of Liverpool 8: violence had been directed against the police and against businesses, both representing the establishment. Private homes and facilities such as community centres had come through largely unscathed;
- (vii) representatives of the County Council said that attempts by the police authority to engage senior police officers in a constructive dialogue about these problems had not so far met with an encouraging response: it was to be hoped that in the aftermath of the disorders the police would be more willing to look at the ideas of the police authority. Representatives of the City Council said that prior to the police service reorganisation, City Councillors had enjoyed a close relationship with the old City police force. The City Council greatly regretted the passing of this relationship;
- (viii) the local authority representatives acknowledged that many Government initiatives had been launched to tackle the problems of inner city decline; however, co-ordination between these initiatives was too often poor, to the extent that sometimes they pulled in opposite directions. An example of this was the creation of enterprise zones, which were likely to draw jobs away from other areas of high unemployment. Local authorities had to spend far too much time devising means of circumventing bureaucratic hurdles arising from the poor co-ordination of overlapping Government initiatives.

4. Thanking the local authority representatives for giving him their views, the Home Secretary said that he would report those relating to the social conditions in Liverpool 8 to his colleagues. He was grateful for the invaluable support which had been given to the police during the disturbances; he had made it clear that in his view there was everything to be gained from a closer dialogue between police authorities and the police service. If there had been insufficient contact in the past, the fault did not lie wholly with the police: for example, it was arguable that some of the magistrates on police authorities could usefully play a more active part in the work of the authorities. The Home Secretary added that he had been most interested to hear the views of the local authority representatives on detailed aspects of the disturbances. This had confirmed the information the Chief Constable had given him that people of all ages, and all ethnic backgrounds, had been involved, and it was particularly noteworthy that on the final night

of the disorders, the great majority of looters had been white. It was deeply disturbing to hear of the very young age of many of the rioters, and he hoped that local leaders would join him in appealing for parents to exercise their authority over these youngsters. He wholly agreed with the Lord Mayor that it was important that Liverpool should not be stigmatised as a place of violence: the problems of Toxteth were common to those of many other inner city areas, and the prospects for repairing the damage done to the community could only be hindered if undue stress was placed on the events of the preceding four days. It was important to get the message across that there was every reason to hope for a better future for the people of Liverpool 8.

MEETING WITH THE CHAIRMAN AND DEPUTY CHAIRMAN OF THE POLICE COMMITTEE

5. Mrs. Simey and Mr. Bundred later requested a short, separate meeting with the Home Secretary. Mrs. Simey said that the police authority was keen to initiate a dialogue with the Chief Constable about a proposed programme of action aimed at improving the relationship between the police and the public in Liverpool. The Chief Constable had so far cold-shouldered this approach, a response in keeping with the frosty manner in which he had chosen to deal with the police authority. A recent example had been the handing over the keys of the police headquarters to Mr. Oxford rather than to the Chairman of the County Council. Matters were not helped by the difficult relationship between the County Council and the City Council. However, Mrs. Simey felt that there was hope that the police authority could engage the Chief Constable in a dialogue about its proposals if these proposals could be seen as having the support of the Home Office. She therefore hoped that there might be some means of involving Home Office officials in discussions with the Chief Constable about the proposals.

6. In response, the Home Secretary said that he had a great deal of sympathy with the points Mrs. Simey had made: the interplay of personalities obviously added an extra dimension of difficulty to the problem. The matter would therefore require a good deal of thought before the Home Office made any move which was open to misinterpretation. However, a useful next step might be for Mrs. Simey to visit him in London, when they could explore her ideas in greater depth.

MEETING WITH CHURCH LEADERS

7. The Home Secretary then met the Archbishop of Liverpool, the Most Reverend Derek Worlock, and the Bishop of Warrington, the Rt. Reverend Michael Henshall. They made the point that the character of the disturbances had changed substantially over the four nights of rioting. Community relations leaders had been quite successful in their attempts to get the original rioters off the streets by the final night: however, their place had been taken by a mob of mostly white youngsters, apparently including a number of outsiders, who behaved like a wild crowd of football hooligans. Throughout the week-end's disorders, it had been clear that many of the policemen had been wholly unprepared for the situation they faced; the use of foul and racist language by some officers had helped to inflame the mob. However, by the

Monday night senior officers had come to accept the advice of community leaders on the handling of the disorders, and this had helped them to contain the rioting on that night.

8. The church leaders said that they felt it was now essential for the authorities to make the right response to the disorders. There needed to be a real dialogue with community leaders, and the mass media portrayal of the disturbances as a race riot should be played down. There was a need for political will to restore some hope to the area: consideration should be given to giving a Cabinet Minister special responsibility for the problems of Merseyside. Ministers should be wary of the myth that a great deal of money had been poured into the Liverpool 8 area. It was not true that, in comparison with other local areas, Liverpool 8 had had an especially large inflow of public funds: figures could be produced to support this argument. Many people had lost a great deal of property in the rioting, and urgent steps should be taken to reassure the local population that full compensation would be paid. There was a need for both long-term measures to combat the problems of the area, and for short-term measures to tackle some of the worst aspects of local deprivation.

9. The Home Secretary thanked the church leaders for their expression of views. He took particular note of the suggestion that urgent steps should be taken to publicise the arrangements for compensation. This had been done in the case of the Brixton disorders earlier in 1981, and he would ensure that the Merseyside police authority was given every assistance to mount a similar publicity exercise.

MEETING WITH COMMUNITY RELATIONS LEADERS

Present: Mr. Wally Brown (Chairman, CRC)
Mr. Paul Sommerfeld (Community Relations Officer)
Mr. Manneh Brown
Mr. Peter Bassey
Mr. Rashid Mufti
Mr. Hugh White

10. The community relations leaders said that the principal factors underlying the recent disorders had been unemployment, poor educational facilities, racism, and the relationship between the police and the black community. The actions of the police had both triggered off the rioting and made it worse than it otherwise need have been. The Friday night disorders had started after the police had questioned a black youth suspected of stealing a motor cycle. The police had summoned assistance, and no less than eight police vehicles had arrived on the scene. By the Sunday night, the police had decided to cordon off the Toxteth area. Thus the area had been ringed with police barricades before any rioters appeared on the streets. When the youths did start to assemble on the streets, the police barricades had provided them with an obvious target. The events of the Monday night had shown that oppressive policing was not the answer to these difficulties. The lower profile adopted by the police had helped greatly to calm the situation. Another criticism levelled at the police by the community relations leaders was that they had not received proper training in the use of the CS gas cannisters. Some of these had been fired directly at

members of the crowd, who had been injured as a consequence. A member of the deputation added that some police officers who had removed their identifying numbers had been seen indulging in provocative action, including the shouting of racist slogans. There was an immediate need for a review of policing methods in places like Liverpool 8; although there had been useful discussions in the past with senior police officers, it was clear that there had been little effect on the attitudes of policemen of lower rank. But there were other issues also requiring urgent attention, for example the proposal to close Paddington Comprehensive School. Many of the problems were shared with other areas, yet the Government had not heeded previous warnings - such as the Bristol riots. The community relations leaders said they had many other points which they would want to put to the Home Secretary after further consideration, and asked if they could have a further meeting with him in due course.

11. Thanking the community relations leaders for giving him their views, the Home Secretary said that he would certainly be happy to meet them again when all concerned had had a chance to give deeper consideration to what had happened.

12. The Home Secretary's visit to Liverpool concluded with a press conference and a visit to injured police officers in hospital.



Private Office
9.7.81.

C. J. WALTERS
Private Secretary

cc Miss Kippax
Mr Boyle
Mr Cooke
Mr L P Wright
Mr Andrew
Mr Hyde
Mr Bantock
Mr Heaton
Mr Peach
Mr Phillips
Mr Hayzelden
Mr Nagler
Mr D Grant

CONFIDENTIAL

Regional Policy

DSG

SUBJECT.

CF

file



cc: Mr. Ingham
Mr. Wajpan
Mr. Haskyrd.
HMT

10 DOWNING STREET

From the Private Secretary

7 July 1981

BF 10-7-81.
see x.

see Market act.

MERSEYSIDE

As you know, your Secretary of State called on the Prime Minister this morning to discuss the situation on Merseyside and any initiatives which the Government might take to improve the economic prospects of the area. Robin Ibbs was also present.

They had a general discussion, in the course of which Mr. Heseltine explained why it was taking so long to get the Urban Development Corporation established. The various Parliamentary and planning procedures had made it impossible to move any faster. He went on to say that the private sector, given the history of industrial relations in the area and now the riots in Liverpool, was unlikely to offer a solution to Merseyside's problems. If there was to be a revival, the Government would have to provide the lead. A number of worthwhile projects were already being undertaken - Mr. Heseltine cited the Prince's Boulevard Scheme as an example - but a very substantial increase in spending would be necessary if the situation was to be improved significantly. In order to have a major impact, additional spending rising to £100 million per annum within three years would be needed. This extra money was needed partly for the housing programme and partly for infra-structure projects. He was already examining the options for improving derelict land, and he hoped to let the Prime Minister have a note on this by the weekend. If the Prime Minister would like him to take a more substantial initiative, for example on the lines envisaged at the recent meeting on Merseyside, he would need both extra resources and some assurance that he would be able to influence other colleagues' spending decisions as they affected the area. If substantially more money were to be spent on improving derelict land and other projects, it was for serious consideration whether this work should be carried out by labour-intensive methods so as to maximise employment, even if this would be more expensive than doing it by normal methods.

I am sending copies of this letter to Robin Ibbs (CPRS) and David Wright (Cabinet Office).

T. P. LANKESTER

David Edmonds, Esq.,
Department of the Environment

CONFIDENTIAL

22

Ann Smith *Byron 2 Perry*
M Heseltine *see mt*

2 MARSHAM STREET
LONDON SW1P 3EB

want a- EZ at

My ref: *Chatham*

Your ref: *Documents for*

3 July 1981 *this time bring.*



See below

ENTERPRISE ZONES FOR CHATHAM AND PORTSMOUTH

Thank you for your letter of 30 June. ^{*attached*} I would like to help Chatham and Portsmouth, for all the reasons you mention. But I am very clearly hemmed in by the time constraints I mentioned to you.

At E Committee last January we considered the possibilities of additional enterprise zones, especially in steel closure areas. Both Geoffrey Howe and I have been concerned that EZs should not be too closely associated with closures: such a link would generate demands from places hit by large scale closures that I do not think we could meet while retaining the idea of EZs as an experiment. We should have to answer every major closure with an EZ. In the event in January it was decided that we should await results from the current zones before adding more. This was, of course, reflected in Tom King's answer to which you refer. I believe we could only announce Chatham or indeed any other site as part of a larger package of "second stage" EZs.

Enterprise zones are, of course, quite expensive in terms of rate income foregone: that is one reason why we are monitoring their effectiveness, and why they are so far, experimental. Your point that the dockyards will not close until 1984 would give us some time to do this. But when we announced that there would be no further zones for the time being we were concerned to avoid prolonging uncertainty. To announce now that we might designate a particular area in a couple of years would introduce just such uncertainty which would, if anything, deter investment in the area. For this reason, it would, I believe, be a mistake to say anything at all about an EZ in Chatham at this stage. I would, however, be very happy to look at this with colleagues in 6 months time in the light of progress generally.

You also asked about other steps which might be taken. Portsmouth already receives some help under the Urban Programme with schemes for providing jobs locally; and we might be able to do something also for Chatham. But it would certainly not be possible, within existing resources, for this to be other than marginal - though obviously I will give sympathetic consideration to any projects the district councils put to me.

I am copying this letter to recipients of yours.

Yes
M Heseltine

MICHAEL HESELTINE

CF?

Liverpool

file ?

MR RICHES

Prime Minister

Liverpool

Following your reply in the House yesterday that you would visit Liverpool "rather sooner than I had thought", I hope it might be helpful to consider what you might do and who you might see on a one day visit.

In view of the economic and social climate, I do not think that you should have any party, social engagement on your visit. However, I do believe it would be demoralising if you did not meet some of our own people separately whilst you were in Merseyside.

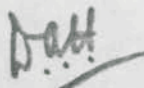
The list below of possible engagements is not in any order of merit.

1. Lord Mayor and Community Leaders
Discussion (visit Toxteth unannounced?)
2. Urban Development Corporation
Boost and meeting with the Chairman
3. Police Chief and Senior Officers
Briefing
4. Enterprise Zone
Progress Report (Visit site?)
5. Successful Private Enterprise
J Bibby (Visit ?)
6. Party workers
Meeting with MPs, Candidates, Constituency Chairman and MEP
(not as a social occasion)
7. Modern Port facility
Seaforth or elsewhere
8. TV and Radio Interviews
Regional - BBC and Granada (5 minutes)
9. Local Radio
Possible phone in programme
or short interviews with BBC/IRN
10. Local Papers
Liverpool Post, Liverpool Echo Meet Editors

/Continued

There could be a working lunch with the two editors or with the UDC or Enterprise Zone people.

Would you like to see a draft programme incorporating some or all of these engagements?



Derek Howe

8th July 1981

cc Clive Whitmore
Willie Rickett

1. PRIME MINISTER

2. LIVERPOOL FILE

Mr Rickett - Non
file please.
e.s. 2/7.

Sir Hector Laing rang yesterday to say that he had been sent a copy of the letter written to you by Sir Douglas Crawford regarding Merseyside.

Following your Parliamentary answer in the House last week that you were considering a visit to Merseyside, Hector is anxious for you to consider a visit to his United Biscuit factory up there. Needless to say, he says it is doing splendidly.....! I obviously did not commit you in any way at all, but would you like us, when we put together a programme for Liverpool, to take into consideration Hector's factory, having of course checked with Industry that it is as good as Hector says it is?

Yes

mt

e.s.

1 July 1981

2/1
Prime Minister
/me
/in



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

MO 10/2

Scottish Government?
MT

30th June 1981

MT

Dear Michael

ROYAL DOCKYARDS

We had a word on the telephone yesterday about the action we must set in hand following my announcement in the White Paper I published last Thursday (Cmd 8288) that the Royal Dockyard at Chatham will have to close in 1984 and that there will be a very sharp reduction in the scope and volume of dockyard work at Portsmouth.

Chatham is, I think, the more difficult problem (although there will also, of course, be real problems in Portsmouth) and I suggested to you that there would be advantage in declaring the area an Enterprise Zone for 1982/83. The job loss in the dockyard itself will be over 7000 - some 5000 industrials and some 2000 non industrials - and although some of the latter will be moved to other areas there will inevitably be a large number of redundancies over the next three years. The Government will have to do - and be seen to be doing - as much as we possibly can to compensate for this job loss and a prime element in this might be the creation of an Enterprise Zone. The facilities at

The Rt Hon Michael Heseltine MP

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MANAGEMENT IN CONFIDENCE



the Royal Dockyard - comprising as they do a complete industrial estate of about 640 acres with three basins, with many docks, major machine shops, stores buildings, office accommodation and electricity generating sub-stations - should prove attractive to the private sector.

I realise that it was recently decided that no further Enterprise Zones would be nominated for the time being and I understand that Tom King gave an Answer in the House accordingly yesterday. But I am thinking, as I said, of 1982/83, and I would welcome your early advice on the possibility of making a special case for Chatham and also on any other steps which might be taken if we are not rapidly to be forced on the defensive. It is relevant that the House will be debating the White Paper today week, Tuesday 7th July; as you will know Peggy Fenner and Freddie Burden find great difficulty about my proposals.

I am sending copies of this letter to the Prime Minister; and to Geoffrey Howe, Keith Joseph, Christopher Soames and Jim Prior; and to Sir Robert Armstrong. I should particularly welcome comment from Jim Prior.

Yours ever
John

John Nott

11-11-88



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PART 3 ends:-

TL to PM 29.6.81

PART 4 begins:-

S/S Defence to S/S Env 30.6.81

