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CABINET

## ASSISTED AREA BOUNDARIES

Memorandum by the Secretary of State for Industry

1. The Cabinet discussed possible changes in the assisted area boundaries on 11 July, on the basis of a memorandum by the Chancellor of the Exchequer (C(74) 68). Although the majority were not in favour of making any changes (at the moment) it was considered inappropriate to take a final decision before the Chancellor's economic measures were known.
2. In my view the Chancellor's statement, and particularly the doubling of the Regional Employment Premium (REP) has changed the situation significantly and strengthened the case for making limited changes in the assisted area boundaries now.
3. In this context the main effect of the doubling of REP is to increase substantially the financial advantage to manufacturing industry of the Development Areas (DAs) over the Intermediate Areas (IAs). The relative position of those IAs which are near to and in competition with the DAs is thus significantly worsened. There have already been strong representations from Edinburgh (and to a lesser extent Cardiff and Newport) since the Chancellor's statement. In my view the case for upgrading Edinburgh, Leith and Portobello, which are completely surrounded by DAs and well over 100 miles from the nearest IA., is now overwhelming. The case for Cardiff, though less compelling, is closely linked politically with that for Edinburgh. The current review of the proposed closure of the East Moors steelworks is, however, an argument for deferring a final decision on Cardiff.
4. Merseyside and North West Wales will both gain in absolute terms from the doubling of REP, but their position relative to the rest of the DAs is unchanged and the urgent need for further action remains. As for Chesterfield, we have always recognised that if any places are upgraded then Chesterfield must be given IA status at the same time. Changes have to be made by Statutory Instrument, which can be laid and brought into force in the Recess.

5. The cost of the five upgradings (Merseyside, North West Wales, the Scottish IA, the Cardiff travel-to-work area and Chesterfield) would now be some £25 million a year and about half that figure if Cardiff is excluded.

6. I invite the Cabinet to agree to the immediate upgrading of Merseyside, North West Wales, the Scottish IA and Chesterfield; and to consider whether to upgrade Cardiff now or to announce that Cardiff's (and Shotton's) case for DA status will be determined in the light of the outcome of the steel closure review.

A W B

Department of Industry

31 July 1974

