S
808

PREM 19/1114

Urban Development Corporations

Regeneration of Liverpool and London Docklands

Inner Cities Policy and Problems

REGIONAL POLICY

Part 1: July 1979

Part 3: Nov 1981

PREM 19/1114

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~16.11.81~~		~~10.9.82~~					
~~24.11.81~~		~~27.9.82~~					
~~8.12.81~~		~~29.9.82~~					
~~9.12.81~~		~~1.10.82~~					
~~11.12.81~~		~~18.10.82~~					
~~12.2.82~~		~~21.12.82~~					
~~22.2.82~~		~~23.12.82~~					
~~23.2.82~~		~~14.1.83~~					
~~24.2.82~~		~~20.1.83~~					
~~26.2.82~~		~~4.2.83~~					
~~2.3.82~~		~~10.2.83~~					
~~4.3.82~~		~~15.2.83~~					
~~10.3.82~~		~~11.4.83~~					
~~29.3.82~~		~~27.6.83~~					
~~2.4.82~~		~~28.6.83~~					
~~8.4.82~~		~~29.6.83~~					
~~16.4.82~~		~~5.7.83~~					
~~30.4.82~~		~~6.7.83~~					
~~21.5.82~~		~~13.7.83~~					
~~26.5.82~~		~~15.7.83~~					
~~22.7.82~~		~~19.7.83~~					
		9.8.83					

ENDS

PART 3 ends:-

MS/Environment to Lord Gowrie 9.8.83

PART 4 begins:-

SS/Environment to PM 14.9.83

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
E(82) 28	11.3.82
E(82) 30	12.3.82
E(82) 9th Meeting, Minute 2	16.3.82

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 C M Wayland Date 23 April 2013

PREM Records Team

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons Paper 18-I, 18i-v: Third Report from Environment Committee, Session 1982-83 "Problems of Management of Urban Renewal (Appraisal of recent initiatives in Merseyside), Volume 1" HMSO, 29 June 1983

Signed CMWayland Date 23 April 2013

PREM Records Team

S/C N O

Minister of State
for Local Government

Department of the Environment
2 Marsham Street London SW1
Telephone 01-212 3434

J/PSO/13261/83

9 August 1983

Dear Grey,

Thank you for your letter of 28 June to Patrick Jenkin about "Tate in the North".

I am glad to see that you share my, and my predecessors', views of the importance of this project, not only to the Albert Dock development, but more widely to Merseyside and the North. My difficulty is, as Michael Heseltine explained in his letter to Paul Channon on 20 December last year, that further financial support (over and above the considerable amounts being spent on restoration of the building fabric) for the fitting out of an art gallery, would not be appropriate to my Department.

It does seem to me that the Tate - no doubt with the help of the OAL - should start in earnest on the crucial task of securing substantial private sector support for the project. If this can be achieved, together with funding from other sources - the European Community is one possibility - the need for central Government resources might well be reduced to a level which could be accommodated from within your programme. It might also be useful to involve Cecil Parkinson in the efforts to secure maximum industrial support.

Your suggestion of a meeting to discuss all this is very useful, and we should like to take it up as soon as a date can be fixed.

I am copying this letter to the Prime Minister, to whom you copied yours.

Yours Sincerely,
Lowin

LORD BELLWIN

The Lord Gowrie

TO MCS for info

Prime Minister (2)

You asked during the Merseyside meeting what could be done to protect business there from high rate increases in 1984-5, given that the new legislation will not be in place to bite on that year.

MCS 20/7

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

18 July 1983

Dear Willie

RATE LIMITATION

I am replying separately to Michael Scholar's letter of 4 July to John Ballard commenting on my Secretary of State's minute of 29 June to the Prime Minister. This letter is about the two points on rate limitation mentioned in your letter of 6 July about Merseyside.

The Prime Minister asked my Secretary of State to look into the possibility of including an appointed day in the Bill, to be announced, and to come into effect, immediately at Second Reading, and to be validated retrospectively later on.

My Secretary of State fully shares the Prime Minister's view that action to limit rate increases should be taken as quickly as possible; and that the greatest possible pressure should be brought to bear on local authorities to restrain their rate increases in 1984-85.

The timetable to which Ministers are working, (as set out in paragraph 1 of my Secretary of State's minute to the Prime Minister) involves the publication of a White Paper by early August; a consultation period; instructions to Counsel by October; introduction of the Bill in January; and Royal Assent by July 1984. It would not be practicable to shorten this timetable significantly; and it would certainly be impossible to have Royal Assent before rates for 1984-85 are set next spring.

If Ministers wished to operate the new provisions for 1984-85 this would involve retrospection from July 1984 (ie the date of Royal Assent) to autumn 1983. From autumn 1983 onwards the Secretary of State would have to take administrative action, without statutory powers, on the following lines:

a) select authorities for rate limitation;

b) set maximum expenditure levels for the selected authorities;

c) consider any representations from the selected authorities;

d) propose rate limits on the basis of the maximum expenditure levels and the grant entitlements in the RSG settlement.

Until the Bill has received Royal Assent, local authorities could not be required to keep their rates for 1984-85 within these non-statutory limits. It would therefore be necessary to provide in the Bill for validating retrospectively any non-statutory rate limit figures set by the Secretary of State during 1983-4. Any rate for 1984-85 which exceeded the limit would then become retrospectively invalid, and the local authorities concerned would have to be obliged under the Act to repay to their ratepayers the amount of the excess. This requirement would be very difficult to enforce especially insofar as the authority had already entered into commitments for the year. Even if it could be compelled to dismiss staff in order to make the repayment, the consequent redundancy payments could in some circumstances exceed savings on staff wages and salaries.

A proposal to legislate retrospectively in this way would, in my Secretary of State's view, increase enormously the problems of securing the passage of the Bill. Many of the Government's supporters in local government, who might otherwise be persuaded to acquiesce, would be pushed into outright opposition to the Bill. The scope for confrontation with individual authorities, and the risks of legal challenge, would also be greatly increased.

My Secretary of State believes that a more effective approach will be to make it clear both in the White Paper and during the passage of the Bill that the selection of authorities, and the setting of maximum expenditure levels and rate limits, for 1985-86 will take account of spending and rating behaviour in 1984-85. For example, if an authority deliberately increases rates in 1984-85 in order to build up their balances, its rate limit for 1985-86 could be set at a low level so as to ensure that the balances are run down again. Powers would be taken to achieve that. If the Government makes its intention clear in advance, this approach can be defended as entirely fair, and as giving adequate protection to ratepayers.

The Prime Minister hopes that it will be possible to protect Liverpool's industry from next year's rate increases. The general approach described in the preceding paragraph should act as an incentive for Liverpool, like other authorities, to act responsibly in setting its rates for next year. I should add that until the change of administration earlier in the year Liverpool has not been an especially high spending or high rating authority. The budget for 1983-84, prepared by the previous Liberal administration, is 9.5% above GRE, and 1.5% above target, an improvement on earlier years. Their rate in 1983-84 is only 7.1% above that for 1982-83. By comparison, 47 authorities with 1983-84 budgets greater than £10m are planning to spend more than 10% above GRE, and 10 metropolitan districts have rates higher than Liverpool's.

So long as the Government are aiming to catch only about 15 authorities (for the reasons explained in the minute to the

Prime Minister), and are intending to use excess over GRE as the basic criterion for high spending, it would be difficult to justify selecting Liverpool on the basis of their recent figures.

Yours sincerely

Roger Bright

ROGER BRIGHT
Private Secretary

Willie Rickett Esq

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

NBPM

MCS 19/7

18 July 1983

Dear Nick,

Thank you for copying to me your letter of 29 June to Leon Brittan, proposing an early announcement of your intention to designate three additional districts under the Inner Urban Areas Act 1978 subject to the necessary statutory procedures and EC consultation. I have no objections.

I am copying this letter to the recipients of yours.

Yours ever

Patrick

PATRICK JENKIN

The Rt Hon Nicholas Edwards MP

REGIONAL POLICY: Urban Development
Inner Cities

Pt 3

Prime Minister (2)

MCS 15/7

PRIME MINISTER

MERSEYSIDE

Patrick Jenkin minuted you on 15 June about his future role and responsibilities on Merseyside.

2. I note Patrick's decision to keep the Task Force in being. In our Manifesto we said that the lessons of our Merseyside initiatives would now be applied in other urban areas and I hope that the Task Force can provide us with an early assessment of what those lessons should be.

3. Indeed one of the things the Task Force was set up to do was to prepare a report on the impact of Government policies on Merseyside and the lessons that could be drawn. Originally it was hoped that that report would take about a year to write, but I understand that it is still awaited although in course of preparation. I hope that Patrick will be able to let myself and other colleagues see this report before this year's discussions on public expenditure get fully under way. This will enable us to consider the options for expenditure on Merseyside and other urban areas in a properly informed way.

4. I am copying this to Willie Whitelaw, Leon Brittan, Nigel Lawson, Cecil Parkinson, Norman Tebbit and John Biffen.

PETER REES

Regional Poly: Liverpool ~ PT3

cc NO

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

13 July 1983

NBPM

MCS 14/7

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales

Dear Nick

URBAN PROGRAMME - REVIEW OF LOCAL AUTHORITY STATUS

Thank you for sending me a copy of your letter of 29 June to Leon Brittan, in which you inform colleagues of your proposal to add three new districts to the five in Wales which already have special status under the Urban Programme.

I note that these additional designations will not of themselves lead to additional claims for resources. None of our colleagues has commented on what you propose, and you may take it that you have their agreement to go ahead and to make an early announcement.

I am sending copies of this letter to the Prime Minister, to members of H Committee and to Sir Robert Armstrong.

Yours ever

Willie

Reg Pol,
Inner Cities,
pt 3

MBPM

MS 137

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Nicholas Edwards MP
Welsh Office
Gwydyr House
Whitehall
LONDON
SW1A 2ER

12 July 1983

Dear Nick

URBAN PROGRAMME: REVIEW OF LOCAL AUTHORITY STATUS IN WALES

Thank you for copying to me your letter of 29 June about your proposal to give three further districts in Wales full designated status under the Urban Programme. I have no objection to this.

I am sending copies of this letter to the Prime Minister and to members of H Committee and Sir Robert Armstrong.

Yours ever Peter

PETER REES

Regional Policy
Urban Development
Pt 3

CONFIDENTIAL

cc Nick Owen.

BM

File

cc/ Master

10 DOWNING STREET

From the Private Secretary

6 July 1983

Dear John

The Prime Minister held a discussion this morning with your Secretary of State about central government involvement in Merseyside and your Secretary of State's minutes of 16 and 27 June on this subject.

Apart from your Secretary of State, the Secretaries of State for Defence, Trade and Industry and Transport were present.

Your Secretary of State, referring to a report to him by Mr. Sorensen, gave an account of the situation in Merseyside, and more generally in the inner cities. There followed a general discussion of this, of the law and order situation in these places, and the prospects for economic recovery there. It was generally agreed that the problems of Merseyside were of a long term character, that the effort which the central government had already put into dealing with them, together with the fact that there was no-one else to perform this role given the warring factions which existed there, meant the central government's effort would have to be sustained, and focussed upon the person of your Secretary of State, who would need to visit Merseyside once a fortnight or so; when other senior Ministers visited the area, your Secretary of State's visits could be more reasonably spaced out to, say, a monthly basis. It was vital, not only to keep up in this way the existing level of personal commitment to the area by central government, but also by these means to ensure that the necessary progress was being made, and chased up.

In further discussion, it was agreed that the involvement of central government should not be a purely Department of the Environment affair but also should involve the other relevant Departments, notably the Department of Trade and Industry and the Department of Employment, together with the MSC. But it remained essential that all this central government effort should be pulled together in a commitment to the area by one senior member of the Government, your Secretary of State.

/ On the organisation

CONFIDENTIAL

On the organisation and arrangements for the task force, the Prime Minister said that this was a matter for your Secretary of State, in consultation with his colleagues, to settle. But she hoped that he would avoid any changes which would institutionalise and bureaucratise the task force, whose strength, as she saw it, lay in the fact that it had been improvised to do a specific job, without regard to the border lines between different departmental responsibilities. She feared that, if it was turned into another regional office, much of its drive would disappear.

In a brief discussion of the Rates Limitation Bill, the Prime Minister said that she hoped your Secretary of State would do all he could to protect Liverpool's industry from next year's rate increases, which, as things stood, would not be caught by the rate limitation legislation. She asked if he would look into the possibility of including an appointed day in the Bill, to be announced, and to come into effect, immediately at Second Reading, and to be validated retrospectively by Royal Assent later on. The Prime Minister suggested that the Finance Bill offered some precedent for such a procedure.

I am sending copies of this letter to Jonathan Spencer (Department of Trade and Industry) and Barnaby Shaw (Department of Employment).

Yours ever

Robbie Rickett

John Ballard, Esq.,
Department of the Environment

Prime Minister

5 July 1983

PRIME MINISTER

Policy Unit

There are two minutes from Mr Jenkin – the second much less inclined than the first to reduce his personal involvement in Merseyside. MCS 5/7

MERSEYSIDE

Patrick Jenkin now proposes a "permanent departmental presence on Merseyside". He also believes that Cecil should "set up a similar office on Merseyside to promote his Department's progress and other initiatives". This proposal seems to us not only to be a waste of money, but a channel for wasting more money. So long as the Task Force works through the Departments' existing offices, it retains a flexibility which is vital. We can alter or cut off a programme which is not proving its worth and replace it with something better, if need be. But as soon as we establish a permanent presence, we fossilise the existing pattern of programmes because it will require extra political courage to make changes.

What I believe is much more urgent, and not just for Merseyside, is to institute a searching assessment of all our inner city projects. The Urban Programme has now grown to cost almost as much as Regional Policy. But we have very little idea about which bits of it work and which don't. The DoE has set in hand some studies, but I believe that a more searching and independent inquiry will be necessary. My guess is that some of the projects are very worthwhile, but are in danger of being tarred by association with other projects which are frivolous, wasteful or Trotskyite benefit schemes. We suggest therefore:

1. no permanent offices for the Task force; and

2. a searching review of urban policy carried out by a group from the Treasury, Policy Unit, Department of Trade and Industry, and a couple of good outsiders.

FERDINAND MOUNT FM

Tim

The PM quoted from para 2 of his background note when answering the question about the CPRS report.

Can you pl make sure her words are <u>not</u> in quotation marks in Hansard (otherwise we will have to publish the report).

WR

CONFIDENTIAL

29

Ref. A083/1906

Charlotte
This arrived at 1630 today!
WR 30/6

MR RICKETT

Prime Minister's Question Time: Reference to CPRS Report on Merseyside in Environment Committee's Report

The Third Report of the Environment Committee's evaluation of the Merseyside Initiative refers to an early 1981 CPRS report on Merseyside which allegedly predicted the Toxteth riots. This is not accurate.

2. I attach some notes for supplementaries to take if the subject is raised at Question Time. In view of The Times article today it is likely to be.

3. I also attach a background note.

Lindsay Wilkinson

LINDSAY WILKINSON

30 June 1983

CONFIDENTIAL

CONFIDENTIAL

Prime Minister's Question Time: Reference to CPRS report in Environment Committee's latest evaluation of Merseyside Initiative

Reference: Extract from the Third Report of the Environment Committee relating to the Merseyside Initiative (Attached).

Notes for Supplementaries

Did the CPRS report predict the Toxteth disorders?

No. It was not an assessment of what might - or might not - happen in the immediate future; it was concerned with the longer term with emphasis on the economic problems and their possible solutions.

What did the CPRS report recommend and will the Government publish it?

The advice of the CPRS, like other official advice to Ministers is normally treated as confidential. We do not intend to publish this Report.

Why was the CPRS report prepared?

The Government had been concerned for some time about our inner cities. Merseyside was a cause for particular anxiety and the Government had already taken several special initiatives to help the area, such as the urban development corporation. It asked the CPRS to look at the problems and longer term prospects and needs in the light of the various efforts and initiatives.

What happened to the CPRS report?

Consideration was inevitably overtaken by subsequent disturbances in Toxteth. But the special mission of enquiry in Liverpool by my Rt. hon. Friend, the then Secretary of State for the Environment and the subsequent Merseyside Initiative, which drew on the CPRS work, show how seriously the Government views the problems of Merseyside and similar areas.

CONFIDENTIAL

Report allegedly was critical of Government policies at the time

The main aim of the report was to look at the area's long-term problems and not at existing policies.

Why was the Environment Committee unable to obtain a copy of the CPRS report?

It is well established that advice by officials to Ministers on policy issues is not made available to the House itself or to Select Committees, whether in confidence or otherwise, save in the most exceptional circumstances (extract from Prime Minister's letter of 14 December 1981 to Chairman of Transport Committee who had asked for a copy of CPRS Report on Railway Electrification).

Background Note: CPRS MERSEYSIDE REPORT, JUNE 1981

1. The CPRS report in question is presumably that of June 1981 entitled "Merseyside - a Regional Policy Case Study". This was prepared at the request of an ad hoc group of Ministers, which met under the Prime Minister's chairmanship on 30 March. The report looked at possible measures for tackling the problems of Merseyside and pointed to some wider conclusions for regional policy. The line agreed for use by the No. 10 Press Office at the time was to acknowledge the e xistence of the report and to stress that it was looking mainly at longer term problems and solutions.

2. The report did not predict the Toxteth riots. However, it took the view that if high unemployment persisted and if the entire region became one of concentrated disadvantage, the existing support services and income redistribution mechanisms would be inadequate to prevent social unrest. To try to avert this, the report recommended -

- more emphasis on local industry and small firms;
- promotion of service industries including financial and leisure services and tourism;
- more use of the port;
- more training for skills.

3. Consideration of this report was overtaken by the Toxteth riots, Mr Heseltine's visit to Liverpool and his subsequent report and the Merseyside Initiative. Some of the CPRS ideas were incorporated in the Initiative.

CHAPTER 5

EVALUATION OF THE MERSEYSIDE INITIATIVE

102. To attempt an evaluation of the Merseyside Initiative is difficult. First, it is too soon for measurable improvements to the Merseyside economy to show themselves. Secondly, it is very difficult to show that particular developments occurred because of the initiative, and would not have occurred in its absence. Thirdly as the Merseyside Task Force is not an executive agency, its achievements are only discernible in the actions of other bodies: there is understandable competition to claim the credit for progress. Fourthly, it is difficult to disentangle the Secretary of State's influence in respect of his Merseyside responsibility from that which he exercises in the normal pursuit of his duties. Finally, it is further complicated by confusion as to the objectives of the exercise, which have been variously stated in both grandiose and modest terms.

103. The Committee accordingly approached this Enquiry with four questions in mind concerning the Merseyside Initiative. First, was it necessary? Secondly, what has it achieved? Thirdly, in what form, if any, might it be continued on Merseyside? Fourthly, what lessons, if any, may be drawn for the management of urban renewal in the other conurbations?

WAS THE MERSEYSIDE INITIATIVE NECESSARY?

104. It is clear that the problems of the management of urban renewal take a particularly severe form on Merseyside. A plethora of agencies with different boundaries, powers, statuses and accountabilities seek contrasting objectives on various spatial scales. Relations between some at least of these bodies serve to make coherent urban governance impossible. High levels of economic distress and social discontent have long been apparent on Merseyside. Disorders of the summer of 1981 we believe were both predictable and predicted.[1] And the Secretary of State's own independent review team concluded that Partnership no longer had a reality in Liverpool. Some kind of initiative was clearly necessary.

105. However, much of the evidence submitted to the Committee shows widespread confusion as to what the new initiative was intended to achieve. The Secretary of State was, after all, still chairman of the Partnership Committee. The implication—that more should have been done to revive and develop the Liverpool Partnership—is inescapable. In the light of the evidence before them, the Committee concludes that steps could and should have been taken to arrest the decline of the Partnership arrangements, to encourage the establishment of topic-based working groups and to address the issues of urban deprivation. The Committee considers that the intentions of the Partnership have been virtually abandoned. It believes that the present pretence of continuing the Partnership should cease. Partnership should be made a reality and developed as an effective co-ordinating mechanism as originally envisaged. In the Committee's view, a renewed initiative to re-establish the Liverpool Partnership could have been taken in 1981 and should now be attempted quickly.

106. Nevertheless, if such a step had been taken in 1981, it could hardly have met the needs of the wider situation. The problems of Merseyside extend beyond the inner city. The Committee consider that some kind of broader initiative was indeed necessary. The spatial scale of that initiative had to be sufficient to

[1] The Committee understands that a report was prepared by the Central Policy Review Staff (Think Tank) early in 1981, that predicted the disorders. The Committee has been unable to obtain a copy of this report.

iative is difficult. First, it
yside economy to show
particular developments
occurred in its absence.
agency, its achievements
there is understandable
is difficult to disentangle
yside responsibility from
ties. Finally, it is further
ercise, which have been

quiry with four questions
s it necessary? Secondly,
might it be continued on
n for the management of

Y?

f urban renewal take a
agencies with different
ontrasting objectives on
of these bodies serve to
of economic distress and
eyside. Disorders of the
and predicted.[1] And the
luded that Partnership no
ve was clearly necessary.

o the Committee shows
intended to achieve. The
tnership Committee. The
revive and develop the
he evidence before them,
have been taken to arrest
age the establishment of
f urban deprivation. The
rship have been virtually
ntinuing the Partnership
developed as an effective
the Committee's view, a
hip could have been taken

1981, it could hardly have
Merseyside extend beyond
l of broader initiative was
had to be sufficient to

tral Policy Review Staff (Think
been unable to obtain a copy of

encompass all the significant agencies and programmes. The area of operation of the Merseyside Task Force is in the Committee's view the right area within which to tackle the problems of urban renewal there.

107. The Committee concludes, therefore, that the timing of the initiative as an apparent response to the riots was unfortunate. The case for a new initiative had been made some time before, and the Committee believes that the Government could and should have acted earlier. In the scale of its operations the Merseyside Task Force was both necessary and appropriate. Whether it was the right approach must be judged in the light of its achievements.

WHAT DID THE INITIATIVE ACHIEVE?

108. The question of the Merseyside initiative's achievement cannot be answered to the satisfaction of all the parties involved. Some witnesses were sceptical of its value; some were enthusiastic and others were dismissive. Some managed to be both enthusiastic and dismissive within the span of a single memorandum of evidence; others changed their view under questioning.[1] The Government's own stated objectives are relevant here. The Secretary of State's announced role was to "bring together and concentrate the activities of central Government Departments and work with local government and the private sector to find ways of strengthening the economy and improving the environment of Merseyside".[2] The Task Force would assist by proposing changes in policies and resources, generating new initiatives, and examining proposals for reducing unemployment and improving the economic and social life of the conurbation.[3]

109. The Committee's starting point is that it is useful to distinguish the benefits of having a part-time 'Minister for Merseyside' from the benefits of the Merseyside Task Force itself. Each may be considered in turn.

110. In considering the Secretary of State's own actions on Merseyside it is important to keep the time-scale clearly in view. Some of the most important developments there predate his assumption of responsibility in October 1981 and the setting up of the Task Force. The Merseyside Development Corporation was already started. He had already acted to break the Cathedral precinct deadlock. The Community Refurbishment Programme which the Committee visited in Sefton and Wirral originated in earlier DOE initiatives. The refurbishment of Princes Boulevard and the International Garden Festival arose from earlier ministerial decisions.

111. The most significant feature of the present initiative is the important change in the relationship between central and local government because of the close attentions of a Cabinet minister. The Secretary of State told the Committee that "Central Government is having to rething its approach to the distancing that has taken place'.[4] and that his Department "would be very happy to intensify the relationship" with other urban authorities.[5] Under the new initiative, "the presence of a senior minister close to the ground can give a degree of immediacy which is very substantial benefit and value".[6]

[1] HC18-iii, Q. 212 and 242.
[2] HC18-i, page 33, Annex F.
[3] *ibid.*
[4] HC18-iv, Q. 322.
[5] *ibid.*, Q. 377.
[6] *ibid.*, Q. 359.

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

NBPM
MS 30/6

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

29 June 1983

Dear Leon

R30

URBAN PROGRAMME: REVIEW OF LOCAL AUTHORITY STATUS

In my letter of 14 January to Willie Whitelaw I indicated that, like Tom King in England, I had in progress a detailed review of those local authorities in Wales with a special status under the Urban Programme. This review has now been completed and its results confirm the existing designations of the 5 areas of Blaenau Gwent, Cardiff, Newport, Rhondda and Swansea.

In addition, 3 districts - Merthyr Tydfil, Cynon Valley and Afan - are shown to be experiencing urban deprivation to an extent which in my assessment fully justifies designated status. The criteria which has been applied follow those used in assessing English authorities in the revised list of designated authorities which have been agreed in England and announced on 15 February. I propose therefore to designate these areas under the provisions of the Inner Urban Areas Act 1978.

This change will be a welcome measure in dealing with the particular problems of these urban valley authorities and forms part of the renewed emphasis I want to see given to the problems of urban South Wales generally. By itself it will not lead to additional claims for resources, though I continue to see the need for developing the Urban Programme as a whole throughout Wales in future years. The change does not carry any significant regional policy implications. Subject to any comments from you or from colleagues I would like to go ahead very quickly with inviting the authorities concerned to accept their new status, leading to an early announcement, subject to the necessary statutory procedures and EC consultations.

I am sending copies of this letter to the Prime Minister and to members of H Committee and Sir Robert Armstrong.

Yours
Nick

Rt Hon Leon Brittan QC MP
Home Secretary

Reg Pol
Inner cities Pt 3

OFFICE OF ARTS AND LIBRARIES
Old Admiralty Building
Whitehall
London SW1A 2AZ
Telephone 01-273 4400

From the Minister for the Arts

NBPM
MCS 29/6

28 June 1983

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

Dear Patrick,

Our predecessors corresponded about the financing of the proposed "Tate Gallery of the North" project in Liverpool's dockland. The matter rests with Paul Channon's letter of 31 January 1983 to Tom King. will request if required.

I need hardly repeat the economic and cultural usefulness of this project, both to Merseyside and the North generally. Like Paul, however, I see very little prospect of finding from within my existing public expenditure programme more than a small proportion of the amount needed to bridge the gap between what the Tate trustees expect to raise from private sponsorship and the total capital cost (and there is also the problem of meeting the running costs thereafter). The gap could be between £3 million and £7 million depending on the size of the gallery to be provided. Recent Press reports suggest that it has not narrowed, and that the Tate trustees will be approaching us for a firm commitment to Government support. I will do all I can to encourage them to seek further sources of private sponsorship, but I have no doubt that a significant Government contribution will be needed if the project is to go ahead.

I understand that the Prime Minister is convening a meeting to discuss Merseysise matters, and that your officials are re-examining the prospects for financing various public expenditure projects in the area, including the Tate proposal, either from your programme or from some other source. I hope it will be possible to find a solution, and I would be happy to discuss this further with you.

I am copying this letter to the Prime Minister.

Yours,
Tony

LORD GOWRIE

CF/ For meeting folder next week.

CC M.O

(1)

Prime Minister

Agree this approach – for Environment and DTI – to Merseyside?

MCS 27/6

Prime Minister

MERSEYSIDE

I wrote to you on 16 June about my role and responsibilities on Merseyside, and you have arranged a meeting with myself and other colleagues on 29 June. I have now had discussions with my officials, including the Director of the Merseyside Task Force, and am planning to visit the area on 8 July. It may be helpful if I explain in more detail the arrangements that I propose for the future.

As I said in my earlier note, the events of July 1981, necessitated direct and personal intervention by a Cabinet Minister. The Task Force was set up primarily to support that initiative, and a great deal of constructive work has been got underway. Clearly that work has to be carried forward and there can be no question of disengaging from Merseyside. The scope and activities of the Task Force were, however, constrained by the resources immediately available and the work on Merseyside has been shared with the DOE Regional Office in Manchester.

I believe that the arrangements should now be set on a more permanent basis and I propose that the Task Force should assume responsibility for all this Department's main programme work on

Merseyside and should handle the Department's relations with all the local authorities in the area. This development, while maintaining the distinctive role of the Task Force in processing new initiatives and major projects, will give it a more solid base and the authority it needs to do business with the various local authorities and other agencies involved. By establishing this permanent Departmental presence on Merseyside we confirm the Government's commitment to dealing with the problems of the area and can be seen to be building on the work already done over the past two years. We move from the experimental phase to the longer-term development.

I believe that these arrangements, carefully presented, will be well received by responsible opinion on Merseyside and will overcome the uncertainty about the future of the Task Force. They will also enable us to address the needs of the area as a whole rather than be led into sterile confrontation with the new Left-wing dominated City Council. For this reason I do not propose, at this stage at least, to revive the "Partnership Committee" with the City and County Councils which has not met for the past two years. I propose to see how the situation develops over the next few months before deciding whether to institute new consultative arrangements. Meanwhile the Department's Merseyside Office will concentrate on developing the Partnership programme and working with local authorities, private developers and voluntary organisations.

I will certainly need to visit the area from time to time and my Ministerial colleagues in DOE will also be making visits to help maintain progress and resolve difficulties on

the spot. I think it is very important that other Departmental Ministers should also continue to visit the area, and consider how their programmes can contribute to tackling the problems of Merseyside, since these should not be seen as exclusively the responsibility of this Department. In particular, I hope that Cecil Parkinson will feel able to follow up the proposal (which was taking shape before the Election) to set up a similar office on Merseyside to promote his Department's programmes and other initiatives on Merseyside, including work on small firms, innovation and IT. The two Departmental teams could occupy joint offices and work closely together, thus retaining the interdepartmental character of the Task Force.

If both Departments were able to announce these new arrangements concurrently, it would certainly confound the critics who have doubted our continuing concern for the area and would provide a very positive approach for the future. So far as my own Department is concerned, I would propose - if you agree - to announce the setting up of our Merseyside office in the course of my visit on 8 July.

I am copying this minute to Cecil Parkinson, Michael Heseltine, and Tom King, and also to Sir Robert Armstrong.

PJ

PJ

27 June 1983

3F

~~Local Govt~~

~~Relations between central & local govt pt. 15~~

DRAFT STATEMENT BY THE SECRETARY OF STATE FOR THE ENVIRONMENT

The Times' leading article today "It took a riot" contains a serious and damaging mis-statement. It says "Policy for the inner areas is to be played down". This is just not true. Inner city issues are serious enough to demand the concern and attention of senior Ministers. I intend to implement the Conservative Manifesto commitment which reads "We shall encourage greater opportunity for all those who live in our inner cities, including our ethnic minorities ... We shall continue to give priority to the areas most in need". That will be my policy. and my personal commitment.

As to my responsibilities for Merseyside (also referred to by The Times) I intend to visit the area soon to meet local authority leaders and others to discuss future action.

give the date

Agreed by the PM

Later Date might be 8 July

So better say "soon"

I put pressure on them to bring the date forward.

MCS 17/6

CONFIDENTIAL

Prime Minister (1) cc NO

We should discuss Trade and C. P. Trade. P.S. 200. MW + TL. MCS

Agree with this change of emphasis?

MCS 15/6

Prime Minister

15 June 1983

MERSEYSIDE

You asked for a note on how I see my role and responsibilities on Merseyside.

I intend to continue to take a personal interest in the problems of Liverpool and Merseyside. The scale of the problems in the area are such that I think this is essential.

I do not, however, think that my personal presence in the area needs to be as frequent as that of my predecessors or my involvement as intensive. After the 1981 riots a swift, direct and personal intervention by a Cabinet Minister was necessary to give a lead and to start pulling things round. Since then, the Merseyside Task Force has been established. In partnership with the private sector and the local authorities this has laid useful foundations for a range of programmes and initiatives designed to help stimulate the local economy and to improve the environment and living conditions in the most deprived areas.

I intend to continue the Task Force in being. This is, however, only one of a number of Government initiatives on Merseyside, some of which are the responsibility of other Departments. These should now be drawn together and taken forward through a more permanent Departmental presence on Merseyside. Both my Department and the Department of Trade and Industry are moving in this direction; I understand that DTI is considering the possibility of establishing an office on Merseyside to promote their programmes. If this happens I will obviously want to ensure with Cecil Parkinson that the efforts of our respective Departments are co-ordinated to maximum effect.

These are my initial thoughts; I intend to visit the area soon to meet leaders of the local authorities and local industry and commerce to find out how they see developments over the next few months. I will, of course, keep you and colleagues informed.

I am copying this to Willie Whitelaw, Leon Brittan, Nigel Lawson, Cecil Parkinson, Norman Tebbit and John Biffen.

PJ

MS.

PJ

arranged for 10.15 on 29 June. S/Deg & S/Trans have not got this minute. cf.

asked DOE to send these copies

MCS 16/6

CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:
Your ref: 10713/83

12 April 1983

Dear Michael

Further to my letter of 23 February, I now attach a short paper on privatisation in connection with Liverpool Sewage Treatment Works, the substance of which has been agreed with Treasury officials, and which has been approved by my Secretary of State.

I am sending a copy to John Gieve.

Yours sincerely

Roger Bright

R BRIGHT
Private Secretary

Michael Scholar Esq - No 10

PRIVATISATION: LIVERPOOL SEWAGE TREATMENT WORKS

Background

1. In the course of discussion of the CPRS Paper on State Monopolies at E(NI), the Prime Minister enquired about the progress of the Department's ideas about involving private sector capital in a sewerage project in the North West.

Private sector finance and the water industry

2. Other things being equal private finance for capital investment is generally more expensive than public sector finance; but if the conditions are right the involvement of the private sector can lead to efficiency gains that more than offset the extra financing costs and give the customer a better service with lower charges. The Department has therefore been considering how the private sector could be involved in a major functional area of the water authorities' business on an experimental basis to establish what efficiency gains can be secured. Despite their relatively lower operating costs, sewage treatment seems the most promising of the main functional areas for private sector involvement since ST works are generally self contained.

3. Private sector companies could become involved either by taking over and operating existing assets or designing, constructing financing and operating new assets. What can be envisaged is a long term contract between a water authority and a private consortium which would have responsibility for the management of the activity in a defined area for a period and fee to be negotiated. The consortium would be responsible possibly for financing the necessary capital works but certainly for investment to maintain and improve the system, would carry the operating costs of the works and would be responsible for providing the service to an agreed standard with the contract providing financial penalties for non compliance. The fee would be paid by the water authority which would retain ultimate legal responsibility for the

service and would continue to bill customers in the normal way. The contract period would need to be of sufficient duration for the private consortium to have the prospect of a justifiable return on its investment.

4. Whether or not the private financing of a water authority project fell outside the existing controls on public sector investment would depend upon the private consortium shouldering a genuine risk with no Government or water authority guarantee either implicit or explicit. It is recognised that it will not be easy to develop a genuine risk proposal without guarantees in a monopoly industry. But even if the risk requirement could not be satisfied it would still be worthwhile proceeding, with the investment counting as public sector investment, provided there was a demonstrable benefit to the customer in reduced charges.

Merseyside

5. The problem of the Inner Cities and the need for the re-juvenation of old urban areas is at its most acute on Merseyside. The Department's consultation paper on 'Cleaning up the Mersey' launched last November sees the restoration of the River Mersey to an acceptable standard of cleanliness as both a pre-requisite for, and a catalyst to, the general renovation of the area. The consultation paper recognises the scale of the problem. The North West WA's limited plans for removing objectionable solids and smell would involve capital investment on the estuary of some £170m by 1995. First estimates suggest that the Authority's more ambitious long term objective of raising the waters of the Mersey catchment to an acceptable standard might cost some £2,000m.

6. The consultation paper recognises that the private sector will be massively involved in the work on the estuary and the river system because construction work (perhaps 90% of total expenditure) will be undertaken almost wholly by private contractors. But in addition the consultation paper also mentions the possibility that the private sector might be

involved in other aspects of the work. The initial focus for this possible further involvement is the Liverpool sewerage treatment works.

Liverpool STW

7. The Liverpool sewerage treatment works, provisionally costed at about £40m, is the next critical phase in the North West WA's programme to clean up the Mersey, and design work is planned to start in the financial year 1983/84. The works will provide not only a conventional sewerage treatment operation but will also serve as the terminus of a sludge pipe line and a loading point for the Authority's sludge fleet.

8. Construction of the new works will in any event be undertaken by the private sector, but the Department is keen to establish whether in addition there is a realistic possibility of private interests undertaking the design, operation and financing of the project on terms which would represent a better deal overall for the water authority's customers. With the agreement of the Chief Secretary and on the understanding that there should be no positive publicity since this might raise false hopes, the Authority has been asked to hold exploratory discussions with private sector firms to establish whether they would be interested in doing so, and if so, how they would expect costs to compare and whether there would be any special terms and conditions. The Authority are pursuing these points both with financial interests (Henry Schoder Wagg, Prudential Assurance Company) and major engineering interests (RTZ, Degremont Laing), and are due to report shortly.

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

NBPM
MS 12/4

My ref: K/PSO/11516/83
Your ref:

11 April 1983

Dear Leon

CHATHAM HISTORIC DOCKYARD

Thank you for your helpful letter of 10 March.

I agree that the options identified by the consultants need to be costed against the base case of disposing of the assets at Chatham Historic Dockyard for the best price. I have doubts whether the analysis needs to be done in the same depth as that for the option recommended by the consultants but we do need to identify what price we would be putting on the preservations of the heritage should we decide to follow that course. DOE officials are in touch with yours about this to get it resolved as soon as possible.

I will come back to you with my recommendations once I have studied the work which is now in hand.

I agree that no firm decision should be taken about the setting up of the Trust before we have considered the financial issues again. We shall, however, continue with preliminary planning on the assumption that the Trust idea goes ahead, as it is obviously important that we reach early decisions on the future of the Dockyard in view of the relinquishment date of MOD.

I am copying this letter as previously.

Yours

TOM KING

Rt Hon Leon Brittan QC MP

WK 11/3

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Tom King MP
Secretary of State
Department of the Environment
2 Marsham Street
London SW1P 3EB

10 March 1983

Dear Tom,

CHATHAM HISTORIC DOCKYARD

In your letter of 11 February to Michael Heseltine about the future of Chatham Historic Dockyard you asked if I was content with your initial proposals and able to authorise officials to participate in the necessary discussions.

I agree that the proposed scheme would appear to enable the Dockyard to be put to good use while securing the preservation of a number of buildings of historic and architectural importance. However, the financial aspects will require further consideration.

The consultants' report identifies three possibilities for future use but has only assessed the costs of the "living Dockyard" option. I believe that all options need to be costed against the base case of doing nothing, ie. disposing of the assets for the best price. Whilst therefore I can see the attraction of the imaginative scheme recommended by the consultants, I shall need to know the costs of the alternatives before I can endorse that course. Only in this way can the full costs of preserving this part of our heritage be identified and set against the benefits of that preservation.

I should also like to know more about how your proposals are to be financed. You refer in your letter to the possibility of funding by organisations outside central government. I agree that this avenue should be fully explored. The project will have a national importance but it will be of especial benefit to the local community. I should find it difficult to agree that central government should be expected to carry the financial burden alone. And any contribution by central government would of course have to come from existing allocations whilst, as you pointed out in your letter of 26 January to Michael Heseltine, we may need to consider at the same time the case for allowing Portsmouth a share in whatever public funds can be allocated for this sort of project.

I note that you are asking your officials to work up outline proposals for the Trust and to consider further on an inter-departmental basis the means of providing financial support. Given the short time available before the MOD leaves the Dockyard, I accept that it is sensible that these discussions should proceed. I should welcome Treasury officials being kept fully in the picture and participating in consideration of the financing options. Clarification of all the financial implications is essential before any firm decisions are taken about setting up the Trust.

I am copying this letter to recipients of yours.

Yours

Leon

LEON BRITTAN

Reg Pol, Inner Cities, Pt 3

DEE

CONFIDENTIAL

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref: K/PSO/10713/83
Your ref:

Prime Minister (2)

I have been pursuing this sewage/private sector involvement matter on your behalf.

MCS 23/2

23 FEB 83

Dear Michael

Thank you for your letter of 4 February. This is by way of an interim reply.

The question of private sector involvement in Liverpool sewage treatment works is being pursued by the North West Water Authority at the Secretary of State's request and with Treasury agreement. The Authority have been asked to hold exploratory discussions with private sector firms to establish whether they would be interested in designing, operating and financing, as well as building, the proposed sewage treatment plant; if so, how they would expect costs to compare; and whether there would be special terms and conditions. The Authority have been asked to report by the end of March. However, in view of your request, my Secretary of State has asked for a paper to be prepared immediately with the aim of reaching you within 2 weeks.

I am copying this letter to John Gieve (Chief Secretary's office).

Yours sincerely

Rose Bright

MCS

R BRIGHT
Private Secretary

Michael Scholar Esq
Private Secretary

CONFIDENTIAL

Reg. Pol.

New Urban Initiatives

3.30 pm

The Secretary of State for the Environment (Mr. Tom King): With permission, Mr. Speaker, I wish to make a statement about three important measures to improve the older industrial areas of our country.

First, I have reviwed the list of local authorities that need special recognition because of the scale of their urban problems. With effect from 1 April this year, I intend to add Blackburn, Brent, Coventry, Knowsley, Rochdale, Sandwell, Tower Hamlets and Wandsworth to the list of programme authorities. I intend also to designate Burnley, Langbaurgh and Walsall under the Inner Urban Areas Act 1978. In the case of all these authorities, I shall make resource allocations to support approved programmes of work appropriate to their new status.

In making that selection I have, among other matters, taken into account an analysis of urban deprivation based on new data from the 1981 census. I am placing an information note on urban deprivation in the Library of the House and I am publishing the relevant data from the 1981 census in the *Official Report*.

The Government have launched two important schemes in which public funds are used to attract substantially greater amounts of private investment to the older and more derelict areas of our towns and cities. The first of these—the special category A derelict land grant scheme—has been designed to secure immediate development by private firms of land reclaimed by local authorities.

I am today approving £30 million of derelict land grant for 46 projects that will lead to £200 million of additional private sector investment. This represents a total investment of £230 million—an impressive ratio of one to six of public to private sector funds. I am placing details of the projects in the Library.

The 1983-84 programme will also contain a substantial quota of category B schemes totalling over £40 million aimed at more general environmental and economic improvement. The amount allocated to new category B schemes will be some £17 million, about £10 million more than this year. Prominent among those is £2 million for the start of reclamation of the former Workington steel works and £3 million for an expansion of Operation Groundwork, the imaginative scheme in the north-west to tackle the particular problems of the derelict twilight zones around our towns. In addition, I am making a special allocation of £10 million for reclamation on Merseyside. Overall, I have increased the total planned expenditure on the derelict land programme from £45 million this year to £75 million in 1983-84.

There is a further major initiative to help revitalise our inner city areas. The urban development grant scheme was launched last April. This scheme is also designed to use public funds to attract much larger resources from the private sector to provide fresh stimulus to the economic regeneration of our urban areas. I am pleased to tell the House that that scheme has attracted a very substantial response. I am about to announce today my approval in principle for the first batch of 41 projects. All those projects involve partnership with the private sector. I am placing details in the Library.

Those schemes are among the most straightforward and complete of those submitted in the first bidding round, and can start soon. Some projects have not been approved and in those cases the individual authorities are being notified. Those still before us include some of the larger and more complex schemes that inevitably take longer and on which detailed work is still proceeding. I will announce further approvals as soon as possible.

The first 41 projects I have approved today cover a wide range of imaginative schemes, including the restoration and conversion of derelict buildings for offices and industrial purposes; the redevelopment of decaying buildings or derelict sites; the conversion of rundown estates for inner city housing for sale; recreational and sports projects; and other schemes for restoring commercial and industrial activity. Nearly 4,000 construction and permanent jobs will be retained or created by these projects.

The projects involve about £10 million of public money leading to additional private sector investment of £40 million making a total of £50 million of investment altogether. That represents a ratio of public to private sector money of one to four, and I expect the bulk of the expenditure on these schemes to take place in 1983-84.

In the light of the excellent response to the urban development grant scheme, I can tell the House that it will certainly continue for a further year. I shall be advising local authorities of the bidding procedures in due course.

The measures I have announced will ensure a greater concentration of effort and resources in some of our most needy areas. In particular, the special derelict land grant and urban development grant schemes are an exciting new approach in using public funds to achieve the maximum impact in those areas. The approved projects cost the public purse £40 million. But the benefit to the community is much greater because the substantial additional resources attracted from the private sector will lead to total investment of nearly £300 million.

This announcement makes a significant step forward to tackling some of the urgent problems of dereliction and economic decline in our towns and cities. It will provide substantial job opportunities, and I commend it to the House.

Mr. Gerald Kaufman (Manchester, Ardwick): Anybody who qualifies for the schemes will be grateful for what is made available, and the statement is to be welcomed on that account. The Opposition will study the details with care and interest. But is it not a comment on the Government that areas in the formerly prosperous west midlands such as Coventry and Sandwell, have had to be added to the list of areas suffering from deprivation.?

How many jobs overall does the Secretary of State estimate will be created by his statement? I should be grateful if he would distinguish between jobs that are retained and those that are created. He spoke of 4,000 retained or created jobs in the construction industry. How many will be created, and how many retained? They must be set against the 200,000 construction jobs that have been destroyed by the Government's policies on the construction industry.

How much new money will be committed to the programmes under all the headings? The right hon. Gentleman's statement is unclear—perhaps deliberately so. He said that he is providing an analysis of urban deprivation and that it will be available in the Library. Will he provide an analysis of Government deprivation for the same places? How much money is being lost to those areas

widows of world war 1 and world war 2 more generously and that the coming Budget should provide a start in that direction? [HON. MEMBERS: "Hear, hear."]

The Prime Minister: My hon. Friend will know of this Government's excellent record on the treatment of war widows, the number of times that pensions have been increased, and the fact that we have taken away taxation on war widows' pensions. They have it totally free of taxation. I hope that we shall be able to continue this excellent record.

Miss Boothroyd: As the right hon. Lady does not accept that her Government's invitation to civil servants to join a private health scheme is a further mechanism to weaken the National Health Service, will she at least admit that this latest move gives the lie to her statement at the Tory party conference that the Government care for the Health Service and that the Health Service need have no fears while this Government are in office?

The Prime Minister: The Health Service is there. This Government have made more resources available. The Government have seen to it that more resources have been spent on the Health Service during our period of office than during the period of office of the Labour Government, and that there are more doctors and more nurses. But, fortunately, under this Government we still have a free country and people are free to spend their money on private health if they wish. I notice that the Labour party would take away that freedom if ever it were returned to office—but I do not believe that it will be.

Mr. Churchill: Has my right hon. Friend seen the most interesting evidence produced by *The Sunday Times* in its two most recent issues to the effect that, while President Carter was seeking to persuade the Labour Government to accept a modernisation of NATO's nuclear weapons based on submarine offshore systems, it was specifically the senior members of the Labour Cabinet who were pressing the United States President for land-based systems, which would be based in the United Kingdom? Since that is the case, does not my right hon. Friend think it somewhat strange that they should now sing such a different song when in Opposition?

The Prime Minister: I saw that most revealing article in *The Sunday Times* but I prefer to rely on the communiqués of the NATO group during the lifetime of the Labour Government and also on what the then Shadow Secretary of State for Defence, the right hon. Member for Stockton (Mr. Rodgers), said in the House on 24 January 1980. Speaking then for the Labour party, he said that

> "We accepted the need to move ahead on the proposed timetable"—

That was after the announcement of the decision to base cruise and Pershing in Europe. He went on:

> "It was the view of the previous Government that theatre nuclear modernisation was essential and that is our view today."—[*Official Report*, 24 January 1980; Vol. 977, c. 691.]

Q4. **Mr. William Hamilton** asked the Prime Minister if she will list her official engagements for 15 February.

The Prime Minister: I refer the hon. Gentleman to the reply that I gave some moments ago.

Mr. William Hamilton: Will the Prime Minister take time today to consider the possibility of abolishing the Honours List, having given knighthoods to such vagabonds as Sir David English and Sir Freddie Laker?

The Prime Minister: No. Perhaps the hon. Gentleman would make inquiries to discover which Government gave Sir Freddie a knighthood. I am sure that it was well deserved at the time it was given. We receive requests from all parts of the House to forward names to the appropriate quarters for consideration for honours. Those who receive honours usually well deserve them.

Reg Pd

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

15 February 1983

Dear Willie WW 15/2

NEW URBAN INITIATIVES: STATEMENT

I attach the final version of the statement which my Secretary of State will be making this afternoon on new urban initiatives. It will be repeated in the House of Lords by Lord Bellwin.

Copies go to the private secretaries to the Lord President, the Leader of the House of Lords, the Chief Whip (Commons and Lords), the Chancellor the the Duchy of Lancaster, the Home Secretary, the Chief Secretary, the Secretaries of State for Scotland and Wales, and to Bernard Ingham.

Yours sincerely

Roger Bright

ROGER BRIGHT
Private Secretary

Willie Rickett Esq - No 10

NEW URBAN INITIATIVES: STATEMENT BY RT HON TOM KING MP, SECRETARY OF STATE FOR THE ENVIRONMENT

TUESDAY 15 FEBRUARY 1983

With permission, Mr Speaker, I wish to make a statement about 3 important measures to improve the older industrial areas of our country.

First, I have reviewed the list of local authorities who need special recognition because of the scale of their urban problems.

With effect from 1 April this year, I intend to add Blackburn, Brent, Coventry, Knowsley, Rochdale, Sandwell, Tower Hamlets, and Wandsworth to the list of Programme authorities.
I intend also to designate Burnley, Langbaurgh and Walsall under the Inner Urban Areas Act 1978.
In the case of all these authorities I shall make resource allocations to support approved programmes of work appropriate to their new status.

In making this selection I have, among other matters, taken into account an analysis of urban deprivation based on new data from the 1981 census.
I am placing an information note on urban deprivation in the Library of the House and I am publishing the relevant data from the 1981 census in the Official Report.

I now turn to the 2 important schemes that the Government has launched in which public funds are used to attract substantially greater amounts of private investment to the older and more derelict areas of our towns and cities.

The first of these - the special Category A derelict land grant scheme - has been designed to secure immediate development by private firms of land reclaimed by local authorities.

I am today approving £30m of derelict land grant for 46 projects which will lead to £200m of additional private sector investment.
This represents a total investment of £230m - an impressive ratio of 1 to 6 of public to private sector funds.
I am placing details of the projects in the Library.

The 1983/4 programme will also contain a substantial quota of Category B schemes totalling over £40m aimed at more general environmental and economic improvement.
The amount allocated to new Category B schemes will be some £17m, about £10m more than this year.
Prominent among these is £2m for the start of reclamation of the former Workington Steel Works and £3m for an expansion of Operation Groundwork, the imaginative scheme in the North West to tackle the particular problems of the derelict twilight zones around our towns.
In addition, I am making a special allocation of £10m for reclamation on Merseyside.

I now turn to a further major initiative to help revitalise our inner city areas.

The Urban Development Grant scheme was launched last April.
This scheme is also designed to use public funds to attract much larger resources from the private sector so as to provide fresh stimulus to the economic regeneration of our urban areas.
I am pleased to tell the House that this scheme has attracted a very substantial response.
I am able to announce today my approval in principle to a first batch of 41 projects.
All these projects involve partnership with the private sector.
I am placing details in the Library.

These schemes are amongst the most straightforward and complete of those submited in the first bidding round and are able to start soon.
Some projects have not been approved and in these cases the individual authorities are being notified.
Those still before us include some of the larger and more complex schemes which inevitably take longer and on which detailed work is still proceeding.
I will announce further approvals as soon as possible.

The first 41 projects I have approved today cover a wide range of imaginative schemes, including the restoration and conversion of derelict buildings for offices and industrial purposes; the redevelopment of decaying buildings or derelict sites; the conversion of run-down estates for inner city housing for sale; recreational

and sports projects; and other schemes for restoring commercial and industrial activity.
Nearly 4,000 construction and permanent jobs will be retained or created by these projects.

These projects involve about £10m of public money leading to additional private sector investment of £40m, making a total of £50m of investment altogether.
This represents a ratio of public to private sector money of 1 to 4 and I expect the bulk of the expenditure on these schemes to take place in 1983/4.

In the light of the excellent response to the urban development grant scheme I can tell the House that it will certainly continue for a further year.
I shall be advising local authorities of the bidding procedures in due course.

Mr Speaker, the measures I have announced will ensure a greater concentration of effort and resources in some of our most needy areas.
In particular the special Derelict Land Grant and Urban Development Grant schemes are an exciting new approach in using public funds to achieve the maximum impact in those areas.
The approved projects cost the public purse £40m.
But the benefit to the community is much greater because the substantial additional resources attracted from the private sector will lead to total investment of nearly £300m.

I believe that this announcement makes a significant step forward to tackling some of the urgent problems of dereliction and economic decline in our towns and cities.
It will provide substantial job opportunities and I commend it to the House.

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

11 February 1983

Dear Michael,

TB 11/2

CHATHAM HISTORIC DOCKYARD

I have now had an opportunity to consider the report you received last Autumn from the consultants commissioned jointly by PSA and the Kent County Council on the future environmental and economic opportunities in the historic dockyard. I have also seen the note of the meeting you held with a group of individuals with experience of running heritage museums here and in America or with other associated knowledge. As a result I have come to the conclusion that we should proceed broadly on the lines advocated by the consultants. I understand you formed a similar view, and in the light of the limited amount of time before the Navy vacate the historic area I would like to proceed with some urgency.

Consultants general concept

I enclose a copy of the consultants' report and you will recollect that they recommend that a Trust should be set up to direct and finance the operation of a 'living dockyard' through a mixture of complementary uses - housing, offices, light industry, leisure activities and most importantly tourism. I understand this view was strongly endorsed at your meeting. How the mixture turns out will be a matter for the Trust to settle as they go along but whilst there are some buildings of great historical significance such as the Ropery, and Mold Loft which will have to be retained for their original purpose, there are others such as Medway House or the Anchor Wharf Store which could be adapted to modern usage. In addition there are areas of unused land on which new buildings could be erected. Altogether there is I feel a rich collection of opportunities for the future.

Type of Museum

Varying advice has been offered about the form of museum that would provide the biggest tourist attraction. Some have advocated that the theme should be that of the only Georgian dockyard in the World. Others have argued that a more diversified approach including examples of ships of more recent periods would be more successful. In view of the unique collection of buildings it has been suggested that Chatham should concentrate on the historic land aspects of the Navy in contrast to Portsmouth which, with

the Victory and the other old ships it has, is dealing with the sea going aspects. These again would be matters for the Trust to develop a policy on as a result of further detailed deliberations.

Co-ordination of Maritime Museums

However this leads on to the matter of overall co-ordination on which I wrote to you recently. A great deal of excellent effort is now being put into creating Maritime Museums at a series of centres. In addition to the major activities at Portsmouth and Chatham there are initiatives at Bristol (in relation to merchant ships) and Ellesmere Port (Narrow Boats), and the National Maritime Museum at Greenwich is seeking some means of satisfying several additional requirements. I hope you agree that the officials of our two Departments should urgently advise us on what needs to be done. I understand the Prince of Wales mentioned to you on several occasions that he is very interested in such issues. I agree His Royal Highness would be an excellent person to lead such an overall effort and I am very willing to follow the matter up with him.

The Trust

The membership of the Trust will require careful thought and will need to represent a wide diversity of interests. In addition to the living museum, maritime and building conservation aspects there should be someone from the estate management and development field if the Trust is to successfully attract private investment, the local interests will need to be represented through such a body as the County Council and the tourist industry both nationally and locally should be involved. The choice of the Chairman will be a particularly critical issue, and one to which I am now giving thought, since a great deal of the success of the Trust is likely to depend on the amount of time and energy he is able to devote to its promotion.

Finance

In their report the Consultants do not envisage that it will be possible to find uses for all the scheduled buildings but where a property is leased from the Trust the intention is that the occupant will be responsible for its subsequent care. This approach should reduce the need for public funds but even so the consultants estimate that the Trust will need support to the extent of about £7m over the first five years and thereafter around £0.5m per annum. Prudence suggests however that these figures might rise to over £9.0m and £1.0m respectively if the Trust runs into unforeseen difficulties. Equally if the development of the dockyard catches the public's imagination the cost could be less than the consultants figures.

On page 44 of the Report these costs are set out as a cash flow arrangement for the first five years. From these figures it is possible to see what sort of annual deficit may have to be met. I am sure this is the right basis on which to assess the problem but it will be for consideration how that deficit will be met and by whom. The Trust may be able to obtain assistance from the National Heritage Fund and we shall need to examine whether regional aid or grants for tourism might assist, but it seems probable that Central Government will have to contribute a major share of the deficit at least in the early years. The responsible Department or Departments will have to be determined but yours or mine seem to be the primary candidates. The dockyard is of course part of the Defence estate and it would be helpful for me to know your views on this question of ownership in the future.

Kent County Council

As the County Council collaborated with us in the preparation of the Consultants Report I shall be meeting the leader, Councillor Neame to discuss the report with him. He will no doubt seek an assurance that the Government will provide financial support to the Trust but at the same time I hope to persuade him that the County Council should also contribute.

Implementation

I commend the recommendations to you and other colleagues as offering an imaginative and viable way forward. I am satisfied that they will enable us to preserve the major features and character of this significant part of our National Heritage and to give the area a good environmental character and a liveliness that many people will find attractive to either visit, live or work in.

There is not a great deal of time in which to resolve the details if the Trust is to be set up and be capable of taking over as the Navy pulls out (I understand the Historic Dockyard will be largely vacated before the end of this year). I am therefore asking my officials to work up outline proposals for the Trust and to consider further on an inter-departmental basis the means of providing financial support.

I should be grateful to know that you, Patrick Jenkin, Arthur Cockfield and Leon Brittan to whom I am sending copies

of this letter (and a copy of the Consultants' report) are content with these initial proposals and are able to authorise officials to participate in the necessary discussions. I am copying this letter to the Prime Minister for information.

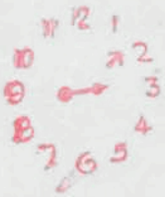
I hope these can be concluded in time for me to circulate firm proposals before Easter.

Yours

TOM KING

4F

The Rt Hon Michael Heseltine MP



Note for file
I have questioned some of the jargon in this statement. Working with anyway be redrafting.

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

WM 11/2

Prime Minister

Was being mentioned in Cabinet this intention to make this statement. Content with the draft at A ?

Yes. I have not been thought it WM

Dear Willie is defiant - would you have a look at the wording pls 10/2

My ref:

Your ref:

10 February 1983

INNER CITIES STATEMENT

My Secretary of State would like to make an early oral statement in the House on inner city matters.

We have now reached a stage with various recent initiatives - the new urban development grant (UDG), the derelict land grant Category 'A' programme, and the promotion of the status of certain local authorities under the urban programme - where my Secretary of State considers that there is a substantial package of good news for the Government which merits an oral statement and the attendant publicity.

/ A first draft of such a statement is attached. As it explains, the UDG scheme and the derelict land grant programmes should attract private sector capital investment of some £240m to inner city areas, at a cost to Govt. of only £40m in grant to remove the negative value of such schemes (eg by reclaiming derelict land or restoring dilapidated buildings) - a very substantial gearing of private to public sector money. There are also more UDG schemes in the pipeline for 1983/4.

My Secretary of State is now also in a position to announce (following consultation with colleagues) the promotion of a number of local authorities under the urban programme, which will secure a greater concentration of resources in those areas.

The statement may also need to contain an announcement that we shall shortly be introducing a short Bill to rectify a minor technical anomaly in the legislation relating to UDG. My Secretary of State has secured the approval of colleagues on H, QL and L Committees to this. There is, however, a parliamentary question on this subject by Mr Kaufman for answer by the end of today and my Secretary of State is now considering whether the reply to that question would be the better vehicle for this particular announcement.

He has decided that it would WM

I understand from the Lord President's Office that from the point of view of business, it would be possible for the statement to be made next Tuesday 15 February. I would be grateful if you could establish whether the Prime Minister would be content with this.

I am copying this to the Private Secretaries to the Lord President, the Chief Whip, the Leader of the House of Lords, the Chancellor of the Duchy of Lancaster, the Home Secretary, the Chief Secretary, and the Secretaries of State for Scotland and Wales, and to Bernard Ingham.

Yours sincerely Roger Bright

Willie Rickett Esq - No 10

ROGER BRIGHT (PRIVATE SECRETARY)

URBAN DEVELOPMENT GRANT AND S137 OF LOCAL GOVERNMENT ACT 1972 - PASSAGE ON NEED FOR LEGISLATION (Subject to further revision and shortening)

Urban Development Grants will be paid to local authorities on approved projects under Section 1 of the Local Government Grants (Social Need) Act 1969 towards expenditure which they are required to incur to deal with special social need in urban areas.

Local authorities may incur expenditure on Urban Programme and Urban Development Grant projects under Section 137 of the Local Government Act 1972, which is a qualified general power, and under a wide range of specific powers, and it is for them to satisfy themselves that their powers are adequate for their purposes.

However, some authorities have expressed doubts about their powers under Section 137 of the local Government Act 1972 to grant aid land acquisition and building works comprised in projects approved for Urban Development Grant because one of the specific powers conferred on them is to make loans for these purposes. I am advised that there is sufficient ground for doubt that it would be right to amend the law in England and Wales to clarify the matter. I intend to do this at the earliest opportunity. In the meantime, I am prepared to pay Urban Development Grant towards expenditure incurred for those purposes on approved schemes. I hope that my intention to amend the law will reassure any authorities who have such doubts and enable them to press ahead..

This information will be given in a written answer to Mr Kaufman today.

WR
WR

A

1. With permission, Mr Speaker, I will make a statement about 3 important steps which seek to improve the depressed industrial areas of our country.

2. The Urban Development Grant scheme was launched last April to provide fresh stimulus to the economic regeneration of our urban areas. I am pleased to announce today my approval in principle to a first batch of (40) projects. All these claims have been worked up in partnership with the private sector. Details are being placed in the Library.

3. The (40) projects now approved represent total investment of about (£50m). A key factor of the UDG schemes is that public funds are used to lever significant private sector investment which would not otherwise have taken place. In these first projects some (£10m) of UDG will lead to (about (£40m) additional private sector investment - a gearing ratio of 1 to 4. Most of the UDG expenditure on these schemes will take place in 1983/4.

4. These projects cover a wide range of imaginative schemes including the restoration and conversion of derelict buildings for offices and industrial purposes, the development of decaying buildings or derelict sites. The conversion of run-down estates for inner city housing for sale; recreational and sporting projects; and other schemes for restoring commercial and industrial activity. Together they bring considerable new jobs to our inner city areas. Details are being placed in the Library.

5. These schemes are amongst the most straightforward and fully worked up of those submitted in the first bidding round. They can therefore start soon. Many of those still before us are large and complex. The detailed work needed on them with the local authorities and private sector interests, is still proceeding. I will announce further approvals as soon as possible. Local authorities whose projects are not approved for Urban Development grant are being notified individually.

6. (Passage on S137 problem if not dealt with before statement by written PQ - first draft of text attached on separate sheet.)

7. The success of the scheme is such that I have decided that the Urban Development Grant scheme will continue for a further year. Local authorities will have two opportunities to bid for grant for 1984/5.

The closing date for the main bidding round will be 31 July 1983. Applications for any resources uncommitted after this first round may then be made at any time up to 31 January 1984. More detailed information about the arrangements will be issued in due course.

8. The derelict land scheme has also been used to attract large amounts of private investment to urban areas. This year, for the first time, the scheme includes a special Category A designed to secure immediate development by private firms of land reclaimed by local authorities.

9. The 50 projects now approved represent toal investment of £230m. As with UDG, a key feature is the attraction of major private sector investment which would not otherwise go ahead. For these Category A projects, £30m of DLG will lead to £200m additional private sector investment - a gearing of 1 to 6. About £15m of the £30m will be spent in 1983/4 - twice as much as for this year's scheme.

rather of new 1 to 6

10. The 1983/4 programme will also contain a substantial quota of Category B schemes. These are aimed at more general environmental and economic improvement. The amount allocated to new Category B schemes will be about £10m more than this year. Prominent among these is £2m for the start of reclamation of the former Workington Steel Works and £3m for an expansion of Operation Groundwork in the North West - a major experiment in dealing with the unhappy fringes of the older towns.

11. Including the substantial amount for ongoing commitments on schemes continuing from this year to next, the total expenditure on derelict land reclamation aimed at for 1983/4 is £75m - as against some £45m this year.

12. I have also been reviewing the need to extend the list of local authorities needing special recognition for their urban problems.

13. With effect from 1 April this year I intend to add Blackburn, Brent, Coventry, Knowsley, Rochdale, Sandwell, Tower Hamlets, and Wandsworth to the list of authorities invited to draw up comprehensive programmes for tackling inner area deprivation. Of these, Coventry and Knowsley will need to be formally designated under section 1 of the Inner Urban Areas Act 1978. The other new programme authorities are already designated and will have resource allocations to enable them to take advantage of their new status.

14. I intend also to designate Burnley, Langbaurgh and Walsall under the Act to make resource allocations comparable to those of other designated districts.

15. All the resources required for these changes come from the provision announced by my Rt Hon Friend on 15 November, which increased urban programme expenditure by 29% to £348m in 1983/4.

(16. In making this selection I have , among other matters, taken into account data from the 1981 Census, which I am publishing in the Official Report. An information note on urban deprivation is being placed in the Library of the House, which explains the statistical analysis on which the selection is based.)

17. Taken together these announcements represent a very significant contribution to the battle against inner city decay and urban deprivation. They will be widely welcomed.

CONFIDENTIAL

c.c. Mr. Vereker
Sir R. Armstrong

10 DOWNING STREET

From the Private Secretary

4 February, 1983.

In the course of the discussion at ENI earlier this week of the CPRS's paper on State Monopolies, the Prime Minister enquired about the progress of your Department's ideas about involving private sector capital in a sewerage project in the North West.

I would be grateful if you would let me have a short paper, agreed between yourselves and the Treasury, on the present position.

I am sending a copy of this letter to John Gieve (Chief Secretary's Office, HM Treasury).

M. C. SCHOLAR

David Edmonds, Esq.,
Department of the Environment.

CONFIDENTIAL

Regional Policy
cc J.V.

Prime Minister (2)

MCS 7/2.

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

4th February 1983

Dear Norman

As I mentioned in my letter to you of 28 January about Urban Programme Designation, I have had the position on the closed shop agreement at Sandwell checked. I thought I should let you know the outcome of my inquiries.

I understand that the closed shop agreement was introduced in 1980 when the controlling group on Sandwell Borough Council was under strong left-wing influence. Following the local elections in May 1981, however, I gather that there was a shake-up in the controlling Labour group and the local "Tribune Group" was expelled and 3 of its members who had chaired the key committees involved in the affair (Finance, Personnel, and Works) were replaced by moderates. This change has stuck and Sandwell is presently operating under moderate traditional Labour leadership. I understand that the closed shop agreement has never again been enforced since the Joanna Harris incident nor is there any sign that it is likely to be.

I am satisfied, therefore, that there has been a change of heart and that in proposing this local Task Force I am not condoning practices which I find just as unacceptable as you do. I might add that the leader of the local Conservative Group on the Council was present when I discussed the Task Force proposals and supports it.

I shall, however, take a personal interest in the development of the Task Force in Sandwell and in their Urban Programme proposals and shall emphasise that they need not expect a sympathetic relationship with the Government if there is any recurrence of such practices. It is an advantage of the Urban Programme that it provides opportunities to watch out for this sort of thing and point out the consequences directly to the authority leaders.

As it happens - current events permitting - I intend to visit Sandwell next week, and I will be having discussions with the local authority and representatives of the private sector about the Task Force.

I am copying this letter as before.

Yours

TOM KING

Rt Hon Norman Tebbit MP

MC

Reg Pol
Inner Cities

Prime Minister ②

MCS 4/2

cc JZ

Caxton House Tothill Street London SW1H 9NAF
Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

2 pps

The Rt Hon Tom King MP
Secretary of State
Department of the Environment
2 Marsham Street
LONDON SW1

4 February 1983

Dear Tom.

CANDIDATES FOR ENHANCED STATUS WITHIN THE URBAN PROGRAMME

Thank you for your letter of 28 January. As I said in mine of 14 January, I do not wish to get involved in the details of this selection process. I still think it is odd that you have not selected a single one of the places in the south-east outside London, some of which at least, on the face of it, are strong candidates. But since you are confident that your list can be defended I shall not persist.

I look forward to hearing from you on the question of an area task force for Sandwell.

I am copying this as before.

Yours
Norman

Reg Pd,
Inner Cities
pt 2

Prime Minister (2)

MCS 4/2

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref: K/PSO/10209/83

Your ref:

3 February 1983

Dear Patrick,

Thank you for your letter of 10 January about the designation of new districts under the urban programme.

I am grateful for your agreement that the proposals Michael Heseltine made in his letter of 21 December should be implemented in time to allow payment of grant in 1983/4. Designation must carry a commitment beyond that if we are to help the local authorities concerned make any impact on the needs of their inner areas. I shall nevertheless give full consideration to the proposals emerging from the review of regional policy, and do not regard any designations under the Inner Urban Areas Act as permanent or irrevocable.

That said, I am not persuaded that there is a need for close conformity between assisted area status and urban programme designations. The Inner Urban Areas Act requires me to be satisfied that the local authorities I designate have inner areas in which there is "special social need". This obliges me to consider a range of factors which may not all be relevant to the need for industrial assistance. However I am sure that this is a point we can, if necessary, consider further in the heat of the review of regional policy.

I am copying this letter to the recipients of yours.

Yours

TOM KING

Reg Pol.
Inner Cities
p43

Prime Minister (2)

MCS 31/1

cc JV
Reg Pol

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref K/PSO/10298/83

Your ref:

28 January 1983

Dear Norman,

Thank you for your letter of 14 January about changes in the list of authorities with special status under the urban programme.

The basis of selection for the authorities we are proposing to promote is more than just the "Z-score" ranking. We have looked, for example, at the way the various individual factors affect different authorities, at the way the rankings change if different weightings are given to different factors, and have proposed no authority for designation with a total population much below 100,000. Although Scunthorpe, Wear Valley, and Corby have a degree of deprivation comparable to some of the authorities we are recommending for promotion, they have much lower populations. My officials would be happy to explain to yours the basis for any particular aspect of the selection you still find puzzling.

In presenting and defending the new designations I shall emphasise that the statistical underpinning for them is broadly based. It would be misleading to suggest that there can be any absolute rank order of deprivation, and I shall emphasise that the statistics have been tempered with a large element of judgement. On this basis I am confident that the selection can be defended.

I am anxious not to delay the announcement of the changes in status and I will therefore write to you separately about the Sandwell area task force and the attitude of the local authority in the wake of the Joanna Harris incident as soon as the results of further checks I have requested are available.

I am copying this as before.

Yours

TOM KING

Rt Hon Norman Tebbit MP

Regional Policy: Urban Develop
Inner Cities Pt 3

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

NBPM
MS 18/1

cc JV

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

14 January 1983

Dear Willie

I have seen Michael Heseltine's letter of 21 December setting out proposals to increase the number of local authorities in England which have special status under the Urban Programme. I have no comments on the detail of what is being proposed.

For my part, I have been reviewing the position in Wales in the same way in the light of the 1981 census data. I will be writing separately soon to let colleagues know the outome and any proposals or change I think necessary, in parallel with what is proposed for England and bearing in mind any developments on regional economic policy generally.

I am sending copies of this letter to the Prime Minister, Keith Joseph, George Younger, Tom King, Patrick Jenkin, David Howell, Norman Fowler, Leon Brittan, Norman Tebbit and Sir Robert Armstrong.

Yours ever
Nicholas

The Rt Hon William Whitelaw CH MC MP
Home Secretary

Regional Policy

Inner cities

Regional Policy cc JL

Caxton House Tothill Street London SW1H 9NA
Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

NBPM
MS 14/1

The Rt Hon Tom King MP
Secretary of State
Department of the Environment
2 Marsham Street
LONDON SW1

14 January 1983

Dear Tom.

PM's Box

Michael Heseltine copied to me his letter of 21 December to Willie Whitelaw about changes in the list of authorities with special status under the Urban Programme.

In view of the significant changes in the distribution of urban deprivation, shown up in the 1981 Census, I agree that some promotions should be made. However, I am not at all clear what basis of selection Michael employed in drawing up his list of 11 candidates for such promotion. The list departs quite substantially from your Department's "Z-Score ranking", or deprivation index, and though I can see that his wish to preserve a geographical balance can explain some of the disparities, some of those remaining will be hard to explain - particularly the absence of any of the seemingly well-qualified candidates from the South East outside London, or the East Midlands. And I should have thought that the inclusion of Langbaurgh from the Northern Region, when both Scunthorpe and the Wear Valley come a good deal higher on the "Z-Score", would also be difficult to defend.

I do not wish to become involved in the details of the selection process. But without more information about the reasons for some of the choices I fear that it may prove more embarrassing to defend the promotions list than it would to preserve the status quo, particularly if you decide to publish the Z-Score rankings.

I notice that Sandwell's place in the list of candidates is amply supported by its Z-Score ranking. I do not therefore oppose its promotion to "programme authority". But I still feel very strongly that it is quite wrong to go further, and to make Sandwell one of the only three authorities which are to enjoy the special attentions of an "Area Task Force". As I said in a private letter I wrote to Michael Heseltine on 10 December, Sandwell Council has an appalling record of persecution of their own employees and defiance of the law, all from purely ideological motives. In their determination to enforce their closed shop policy on all their employees they have dismissed one employee without compensation in flagrant disregard of her statutory rights, they have harried countless others into

joining trade unions against their wishes, for fear of losing their jobs, and they have totally ignored a ballot held by the local NALGO branch in which the overwhelming majority of their staff voted to end the closed shop agreement immediately. It is no exaggeration to say that Sandwell's disgraceful behaviour towards its own employees, together with that of the former Walsall Council, was primarily responsible for the wave of revulsion against the closed shop, particularly amongst our own backbenchers, which led directly to the much stiffer penalties for dismissing non-unionist employees contained in the Employment Act 1982.

I do hope that on reflection you will feel able to withdraw the offer to establish an Area Task Force in partnership with this disgraceful council.

I am copying this letter to the recipients of yours.

Yours

Norman

cc JV.

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

JF2372
Secretary of State for Industry

10 January 1983

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

Prime Minister
Mr King intends to revise the list of authorities with Special status under the Urban Programme. The revised list is at A. Mr Jenkin raises no overriding objection but draws attention to the implications for our regional policy.
MT 11/1

Dear Tom,

Michael Heseltine sent me a copy of his letter of 21 December to Willie Whitelaw declaring your intentions for the designation of districts under the Urban Programme.

2 Michael took the view that decisions following the present official level review of regional policy are unlikely to lead to wholesale changes in the organisation of the Urban Programme. I can of course see the force of this view, but equally I understand that the report will certainly recommend that there should be a review of the Urban Programme map in parallel with any changes that may be proposed to the Assisted Area map. Thus while I accept that if anything is to be achieved in 1983/84, you cannot delay your proposals for this reason, I hope we can agree that these changes will not in any sense prejudice the outcome of any more fundamental review of the Urban Programme map which may take place.

3 So far as the changes themselves are concerned, it is unfortunate that a number of your specific proposals might be claimed to demonstrate that there are inconsistencies in the Government's regional and urban policies: parts of the West Midlands and NE Lancashire in particular will doubtless feel that your decisions lend weight to their case for Assisted Area status. However, I have no strong objections to what is proposed and we shall therefore simply have to live with any resultant protest from such areas.

4 I am sending copies of this letter to those to whom Michael copied his.

Yours ever
Patrick

Regional Policy: Inner Cities
Pt 3

SUBJECT

cc Marks + Ons

Regional Pol.

10 DOWNING STREET

THE PRIME MINISTER

Personal Minute
No. MQ/82

THE SECRETARY OF STATE FOR THE ENVIRONMENT

MERSEYSIDE INITIATIVES

Thank you very much for sending me a copy of the statement you issued on Friday about your work on Merseyside, and for the material on the three initiatives you have been taking, on the Stockbridge Village Trust, on the River Mersey and its tributaries, and on the Merseyside Enterprise Newsletter.

I found this fascinating and very heartening. I would like to send you and all those concerned my warm congratulations on what you have achieved already. Let us hope that 1983, too, will bring achievement and advance on Merseyside.

Margaret Thatcher

23 December, 1982.

Prime Minister (1)

Yes please. Would you like a draft minute to Mr Heseltine, congratulating him on this work?

MCS 21/12

Prime Minister

21 December 1982

MERSEYSIDE INITIATIVES

In the summer I sent you a copy of the speech I gave in Liverpool setting out the various initatives we have set in train on Merseyside, with special emphasis on the way in which we have pulled together the private and public sectors. I have recently updated this material in a statement I issued on Friday, a copy of which is enclosed, and which you might like to glance at.

See draft folder

I would draw your attention to 3 particular initiatives - about which additional material is enclosed - which illustrates the results that can be achieved if we successfully motivate private sector effort.

The first of these is the proposal for the Stockbridge Village Trust in Knowsley. The essence of the scheme is that Cantril Farm, one of the most run-down and vandalised council estates on Merseyside (even though it was built only in the 1960s) should be acquired from the local authority by a private sector trust, financed by the Abbey National Building Society and Barclays Bank. There will be an extensive programme involving demolition of the worst properties, refurbishment of others for sale and for rent through the Housing Corporation and building new houses for sale. The private sector building industry - in particular Barratts - will be heavily involved. The local authority and representatives of the local people will also be represented on the Trust. The new Trust will be chaired by Tom Baron, a local private sector builder.

This is a most exciting new development, bringing the private sector into the area of public housing on an unprecedented scale. It provides a real chance to break out of the cycle of vandalised council estates which go steadily down-hill, and from mediocre public sector management. Other building societies have indicated their willingness to participate in similar schemes elsewhere. I am pursuing this.

I enclose a copy of some of the material which we have produced.

We have made a start on tackling a number of the industrial and environmental problems of Merseyside and other parts of the North West, but so far we have not tackled perhaps the greatest environmental and infrastructure problem in the area: the River Mersey and its tributaries -

one of the foulest waterways in the country and a major blight on this part of the North West. Cleaning up the river will be a long term job - perhaps 20 to 30 years. It will involve capital investment by both the private and public sectors of perhaps £2,000m. There will be a most important role for the private and voluntary sectors. I published last month a consultation document which seeks to stimulate ideas and proposals from all interested parties. I again enclose a copy. We plan to follow this up with a conference in the North West in the Spring.

Finally, I thought that you might be interested to see the first edition of the Merseyside Enterprise Newsletter. As you know, the Task Force has developed in many areas schemes to involve the private sector in measures to regenerate the economy of the area. The response from private sector companies has been very encouraging. It has led to so many good schemes and ideas. We have therefore recorded the results and circulated them widely to encourage their adoption by other companies and agencies. I launched the first edition of the Newsletter on Merseyside at the beginning of December. I intend that it should be issued at regular intervals as more ideas and schemes materialise.

The message of seeking to encourage industrial development and economic recovery in an area like Merseyside in the face of the world recession is an uphill task. One of the most important avenues to success has to be increased partnership between the public and private sector, particularly drawing the private sector into areas which were hitherto strictly the preserve of the public sector. I have been most encouraged by the positive response. There is a long way to go, but we have laid some pretty good foundations.

I am sending a copy of this and the enclosures to Geoffrey Howe, Willie Whitelaw, Keith Joseph, Norman Fowler, George Younger, Nicholas Edwards, Cecil Parkinson and Leon Brittan.

Yours

MH

MERSEYSIDE ONE YEAR ON : A REPORT BY MICHAEL HESELTINE - 17 DECEMBER 1982

Anniversaries prompt their own questions.

Merseyside has been no exception.

Last summer - a year after the disturbances in parts of Liverpool in 1981 - people began to ask what had changed since then.

And this Autumn - a year after the Prime Minister asked me to take a personal role in tackling the problems of Merseyside and a year after the Task Force was established - people ask what has been achieved.

Against a legacy of 70 years of industrial decline and as complex a web of social and economic problems as we have in Britain success or failure is not easy to quantify in a one year timescale.

But it is only right in our democratic society that people should raise such issues and expect to receive a reasoned answer to their questions.

I therefore want to take the opportunity presented by my last visit to Merseyside before Christmas to set out my view on the progress we have made in tackling the problems of Merseyside.

The Background

Let us first consider the situation as we found it.

What a situation it was.

The traditional industries from which so much of the area's prosperity originally grew had been in steady decline since the war, if not before.

As a result, unemployment in Liverpool had for years been well ahead of the national average.

Even before the world recession, the city was losing about 11,000 jobs a year.

Unemployment in Merseyside as a whole was at about 20% - well above the national average.

In the Liverpool travel-to-work area 89,500 people - almost 19% of the workforce - were on the dole.

Allied with this frightening unemployment situation were some of the most appalling housing conditions in the country.

Not only were such conditions to be found in elderly pre-war housing, as occurs in other inner city areas, but in estates built at great public cost in the last 10-20 years.

They are literally the abandoned estates.

Vandalised, boarded up, properties, the everyday advertisement telling those that have choice to stay away and urging those that live there to join the exodus.

Beleagured communities resentful in a world of hopelessness.

A massive failure of public sector housing stretching back well before this Government or the present economic conditions.

In the small ethnic communities of Liverpool race added another dimension to these problems, communities which saw themselves discriminated against and firmly stuck at the bottom of the social pile.

Relations with the police in such communities were almost bound to be difficult.

Further evidence of urban areas in difficulty and decline was the visible dereliction to be seen almost everywhere - vandalised and abandoned buildings, derelict and polluted sites, with their piles of rubble, rubbish and weeds.

But these were only the most immediately obvious signs of Merseyside's difficulties.

There were other more complex and deep-seated problems.

First there were glaring inadequacies in the local infrastructure.

Land was not being used, even in the heart of the city. The gateways to the area - the main railway station and the airport-badly needed improving.

And, perhaps worst of all, the Mersey estuary - the lifeblood of so much of the earlier prosperity of the area was one of the most polluted rivers in Britain and quite unable to contribute to the new leisure and recreational industries and activities that mean rising living standards in today's world.

The public sector could point with pride to the road communications which have drammatically improved in recent years and the rail services are good.
But the wasted land, the airport, the station and the Mersey itself were witness to an obvious and early challenge.

Second, the private sector had undergone great changes on Merseyside as elsewhere in the world.
Merseyside had been a typical victim of the post-war trend towards bigger and more remote companies, corporations and institutions.
The absorption of the fanily business, the capital gains orientated tax system, the over-taxation of personal and disposable income, the centralising sophistication of the stock exchange all pushed ownership into fewer and more remote hands.

The vital links between those responsible for creating wealth and the communities in which they operated were greatly weakened.
There was little concern for the general community because those who exercised ultimate power identified less and less with any geographic or local loyalty.
The family business has to stay and fight.
The conglomerate nation arises and redeploys.

The Constraints

That was the situation which confronted us a year ago, a situation all to familiar to those of you that live here. Those familar problems had been faced by local authorities, local agencies, private companies for many years. Those organisations had taken steps, often aided by Government support, to tackle them. Clearly much more needed to be done, and done more effectively. The constraints that we all faced in trying to tackle that situation were severe.
First, we had to operate against the background of the worst recession the world has seensince the end of the last war.

The tide was going out carrying companies and jobs with it at a daunting speed.

It would have been irresponsible and short-sighted to seek to prop up companies that could not compete in the tough world we all face.

Second, we had as a government tomaintain our pressure to get greater value for money and lower real spending on current consumption in local government.

Expenditure on current account had reached record levels at the expense of successive cuts in capital programmes since 1976.

Despite the level of people employed which reached record levels in 1979 the standards were often quite inadequate.

Simply spending public money in the same way as it was being spent on the same sort of projects offered little prospect of improvement.

Third, we had to recognise that power lay with a host of different local authorities under different and conflicting political leadership or in large numbers of public organisations each with their statutory duties and contraints.

No legislative change was possible in the timescale available even if it was desirable.

Fourth, there is the image of Merseyside itself as an area of trade union restrictionism with a strike-happy disregard for its own well being.

Fifth, there is that most limiting and unaccountable constraint of them all - there is the rigid discipline of the clock.

Against this background people say to me - well what is your strategy?
My answer is to make things happen.
They often seem disappointed.
It sounds so incomplete.
I make no apology, for strategies are often a time wasting delusion.

None of our cities were built on strategies.
They developed because thousands of people exercising their own individual judgement and choice took real decisions about building on, about investing in, about living in a particular place.

Strategies are more often a period of investigation during which you tell people what they can't do because the strategy is being prepared, consulted about, redrafted, submitted to Ministers, challenged in the courts and then sent back to the drawing board as the new government seeks to get itself off its more extravagant election pledges.

So have your strategies but in the meantime leave me with real people making real decisions to do real things in a real timescale.

I think there are 4 strands to a very practical approach - the only approach that in the circumstances was on offer.

First, to become involved in trying to understand many of the detailed

problems facing public sector programmes and to help wherever possible.

Second, to work through existing organisations to achieve examples of how programmes could be better carried out to cope specifically with the problems that confronted us.
In this way if we could get successful examples of how things would be done better the pattern could be repreated on a wider scale.
Very substantial benefits are now flowing from the approach.

Third, to persuade private companies that it was in their best interests and often profitable to play a significant role in the job creation and social problems of the areas in which they traded.
To persuade those companies at themost senior level that if the capitalist system is to maintain the support of a democratic system it has to understand the responsibilities that go with wealth creation that it often represents and upon which it depends.

Fourth, to deliver a message that the strength of a totalcommunity is not government inspired or even government financed.
Far and away the most important contribution will come or not depending upon what people will do for themselves.
Governments act far more at the margin than conventional politics assumes.
In short,stop complaining about everyone else, get your coat off and come and help.

The Approach

We therefore had to look for a new approach in tackling the problems of Merseyside.
I want now to discuss in detail what has happened with a remarkable

degree of support from a very large number of individuals working in the public and private sector.
If as I would hope within this philosophy, within these ideas and policies, a strategy emerges no one will be more pleased than I.
But the challenge now is to keep up and enhance the rate at which Merseyside fights its way back.

Industry

As I have said, one of Merseyside's major problems has been that so many of its industries are in irreversible decline.

That is a tragic fact of life.
Indeed we would have weathered the present storm if management and unions had recognised the decline and adapted to it earlier when new jobs and new investment were easier to find.
But that doesn't mean that very exciting new opportunities do not lie ahead for Merseyside.

Before getting on to specific local initiatives, I must refer to two important national developments which could be of great benefit to this area.
Many of you will have heard of the Financial Institutions Group.
The idea for this group came out of the bus tour of Merseyside which I arranged for leaders of the main financial institutions after the disturbances in 1981.

I asked each of them to second to me a bright young manager for a year to work with civil servants in my Department on ways of harnessing the respective skills and resources of the public and private sectors to tackle the problems of inner cities.
Twenty six companies responded to my invitation, and their secondees made up the Financial Institutions Group.

They came up with a whole range of constructive and imaginative ideas.

But perhaps their most spectacular proposal - the urban development grant - is already under way.

This is based on the American Urban Development Action Grant - UDAG.

The essential feature of the grant is that it uses an initial outlay of public sector expenditure to stimulate a larger amount of private sector investment.

The function of the public sector input is basically to remove the negative value - for example in reclaiming derelict land or rehabilitating disused buildings - from projects which would otherwise be financially unattractive to the private sector.

At its simplest a housebuilder says:you use public money to reclaim that uneconomic derelict site and I will then invest and build low-price homes for sale on it.

The permutations are endless.

I announced that I would be adopting this proposal earlier this year and invited applications from inner urban local authorities, including those on Merseyside, in conjunction with private sector developers.

The response exceeded our most optimistic forecasts.

The figures show that in return for a public sector stake of £250 millions or so the private sector would be prepared to put in £500 million of their own money.

The bids received are now being evaluated and we will shortly be announcing the first results.

But suffice it to say, the scheme submitted cover a whole range from industry and commerce, through housing, to recreation and leisure.

The opportunities afforded by the new grant for development in areas where it might not have seemed possible before are substantial and very exciting.

I have adopted a similar approach with the derelict land grant.

This grant has been in existence for some years and has been used extensively for reclaiming land damaged by past industrial and mineral workings.

Such projects are of course valuable. They had played a vital role in restoring industrial and mineral despoilation to green fields.

But I thought that it would be v a l u a b l e if a part of the total grant available was made conditional upon local authorities securing private sector development on site once they had been cleared. And I decided to balance the largely rural expenditure with significant increases in urban expenditure.

It therefore has a similar principal to that of UDG: using public sector money to stimulate even more private sector investment.

Any local authority in a derelict land clearance area - and that includes the whole of Merseyside - is entitled to bid for a slice of the grant on these exciting new terms.

But what specifically is happening on Merseyside?

The answer is: a good deal.

A fortnight ago I announced proposals to establish a Technology Park sponsored by Plessey.

This involves taking 60 acres of empty land alongside Plessey's plant in Edge Lane, reclaiming the land at public expense, providing advance factory units through English Industrial Estates and then encouraging small high technology firms on to the site.

This is a most exciting example of what the public and private sectors can achieve in partnership.

The public sector is providing the basic infrastructure, while the private sector - in this case the highly successful Plessey company - is putting its weight and expertise behind building up a concentration of high technology industries on the site.

This is the first sponsored industrial estate that we have got off the ground in Merseyside and I am hopeful that there will be more to come.

I am now actively looking for sites and for companies who are prepared to play their part. It is of course a scheme of national relevance.

Allied to the Plessey project, Granada Television have shown a keen interest in the concept of sponsored industrial estates and have promised to feature the development of such estates in their programmes about local industry and the local economy.

In addition, Granada are also about to launch a series of programmes focusing on the activities of new small businesses and will be running a competition to find the most imaginative and promising venture in the region.

English industrial estates are also active in other parts of Merseyside.

They are now in the process of acquiring land right in the heart of Toxteth in order to provide factories for locally-based small businesses.

The company is also active with the Midland Bank in the Speke Enterprise Zone, where they have built 68 Beehive units which provide floor-space from 500 to 5000 square feet.

And I understand that the level of interest in these units has been very encouraging.

There are other ways in which help can be made available to small businesses and industries.

Earlier this Autumn I was invited to open formally Business in Liverpool, a new enterprise trust for the City, which joins other enterprise trusts in in St Helens, Sefton, Birkenhead, Ellesmere Port and Runcorn. The enterprise trust idea has been catching on fast all over the country; the idea is that the big companies in an area come together to pool their resources and expertise to provide, in effect, a one-stop shop giving help and advice for small businesses. The basic concept owes much to the pioneering work of the St Helens Enterprise Trust developed by Pilkington and the local authority.
Another major initiative is the creation of a Merseyside Innovation Centre.

This is a joint project involving the University, the Polytechnic and industrial nominees from the County Council.

The aim is to promote the commercial development of research ideas being developed in the University and Polytechnic and to provide a source of technical advice to local companies.

The banks are also playing an active part in trying to help new businesses on Merseyside and are involved in a variety of initiatives.

The National Westminster Bank for example have appointed a Manager in Liverpool to have specific responsibility for small businesses in the inner city area.

Williams and Glyn's are working on proposals to develop business opportunities here in Liverpool, and will be looking in particular at the need to establish effective liaison with businessmen from the local community. Another example is the part Barclays Bank are playing in supporting the enterprise trust in Liverpool.

We are also helping small businesses on Merseyside, through the Task Force. Managers seconded to the Task Force from local companies have played a particularly valuable role. This is evidence of the usefulness of co-operation between the public and private sectors. Particular attention is being paid to see if local companies can supply products which are now being imported from overseas.
There is no doubt that if local firms are prepared to be flexible and seize the opportunity then they stand a good chance of increasing their order books.

But success for local industries doesn't only depend upon the kind of measures I have been discussing.

The physical environment is also very important.

One of the managers seconded to the Task Force from United Biscuits has been promoting an intensive programme of refurbishment and the provision of improved services for local companies on the 2 main industrial estates at Kirkby and Knowlsey through liaison between the local authorities and the private sector companies.

This has been very successful and has lead to a very marked improvement on the estates, with consequent effects upon morale and confidence.

We have launched or promoted a variety of new training initiatives.

These include the clerical training centre in Liverpool 8; 7 information technology centres in various parts of Mersyeside, in which the private sector and local authorities are involved; 5 small firms workshops, again in various parts of Merseyside; 3 commercial business training centres; a recent initiative to fund 40 extra apprentices on Merseyside in electronics and electrical engineering, and a training scheme in boat building reflecting Merseyside's maritime history.

Such training initiatives are evidence of constructive co-operation between the private sector, Government Departments, Manpower Services Commission and local authorities. These are only some of the measures which are now under way.

It would be impossible to list all the initatives that companies are pursuing in this report.

But that presents its own challenge.

How do you ensure that each company knows what the others are doing?

How do you spread the isolated example into general practice?

The Chamber of Commerce has undertaken to co-ordinate the way we have chosen to proceed.

Two weeks ago we launched the Merseyside Enterprise Newsletter.

This does list the schemes companies are carrying out.

It also lists the central and local government support that is available.

And it lists the questions companies can ask themselves about their own attitudes and practices if they wish to check that they are doing all they could.

The newsletter is being distributed to over 3,000 companies on Merseyside and it will be followed by updated newsletters listing new ideas and reports of initatives by companies not so far listed.

COpies of the newsletter are freely available and I hope that this initiative will play its part in drawing in the strength of the capitalist system to help where they can with the wider problems of Merseyside.

Housing

Merseyside's housing problems are of chilling proportions.
The problem is not confined to the traditional types of poor quality inner city housing, but is widespread in estates built within the last decade or so.
Insensitive planning, inadequate maintenance and often accommodation that a dwindling population will not live in.
Trying to solve these probems poses a real challenge.
There is, of course, a vital role for traditional central Government housing programmes in tackling these problems.
This year, for example, Liverpool has available up to £56m to spend on housing, compared with a spend of £33m last year.
But this is only part of the story.
We have set in train a whole variety of initiatives, many of them involving the private sector, designed to improve the quality of the housing and the housing environment.
Perhaps as important as quality is the choice of tenure.
Most people want to own their own homes.
Once they do they look after them and feelcommitted to the area in which they exist in a way all too frequently missing on the annonymous corpi estates.
They will pay more of their own money to buy, spend more of their own money to maintain that which is theirs.
We seek to encourage this.
It leaves more resources to help with the housing of those less fortunate.

Prominent among the schemes we are promoting are the proposals I announced at the beginning of November for the refurbishment of the Cantril Farm Estate in Knowsley, one of the outer Merseyside districts. This is an estate of some 3,500 houses, built in the 1960s, which has rapidly achieved a most appalling state of decline and dereliction.

It was an estate locked into a downward spiral from which there seemed no prospect of recovery. The local authority despite every endeavour, could see no solution to the self evident decline.

In housing terms these proposals are perhaps the most ambitious partnership between the private and public sector ever attempted.

A private sector trust will acquire the estate, with the help of funds from the Abbey National Building Society and Barclays Bank, together with initial financial support from Knowsley Council. The trust will carry out a five year improvement programme to the houses and the environment, demolishing the worst property, while Barratts and possibly other private sector developers will buy sites and build up to 600 houses for sale; they will also buy and renovate for sale three tower blocks.

There are also plans for Housing Association activity, new shops and a sports centre.

The local authority and representatives of the community will be consulted fully by the Trust and, indeed, consultations are already in hand with the local residents.

For the first time for some years the tenants of this estate can have real hope of decent housing and a decent environment.

Developers are also involved in a number of initiatives on Merseyside which will bring back to the inner area opportunities for home ownership.

A prominent example of this approach is Minster Court, in the heart of Liverpool.

Formerly known as Myrtle Gardens, this was a semi-derelict block of flats in Council ownership.

However, Barratts have now taken over the block and are completely refurbishing it for sale; in addition, there will be some associated attractive new building.

Other measures to increase the opportunities for home ownership include shared ownership schemes involving housing associations and schemes to facilitate low-cost home ownership.

Another exciting idea which we have pioneered on Merseyside is the community refurbishment schemes. These schemes use housing and urban programme resources to pay for the works and MSC funds to pay unemployed workers from the building industry to work on refurbishing the estates on which they live.

There are now 6 such schemes scattered across Merseyside already in operation and these will be followed by at least another 8. They are already proving very successful.

It provides a long overdue opportunity to improve local council housing, it provides work for some of the local unemployed people and it gives tenants the opportunity to participate fully in the improvement of their homes.

These are just some of the private and public sector housing initiatives now in train on Merseyside.

Some of them are new and exciting - such as the Cantril Farm project and the community refurbishment schemes; all of them are valuable and serve as examples which could be followed in other inner city areas.

Infrastructure

I set out earlier my general views on the infrastructure of Merseyside. One of the major problems has been underused physical assets and poor infrastructure.

Anybody visiting Merseyside for the first time could not fail to notice the plethora of derelict sites and vacant plots of land.

Nowhere was this more evident than in the extensive disused docks. To tackle this major problem we set up the Merseyside Development Corporation with a designated area of some 860 acres.

They have been given the powers and the resources to get on and reclaim this land, to rehabilitate the former dock buildings and to seek out profitable private sector development to make use of them.

The result of the Corporation's works are already there to see: in particular a vast area of the former south docks is well on the way to complete reclamation in preparation for the International Garden Festival in 1984. I believe this is one of the most substantial inner city regeneration schemes in post-war Britain. Work is also well advanced in putting some other famous derelict Liverpool sites to good use.

At last, after years of neglect the 18 acres which make up the Anglican Cathedral Precinct are being developed to provide housing for sale and for rent, together with public open space, following a competition for the best design.

A different sort of site is the 20 acre former Tate and Lyle factory at Love Lane in the inner area of Liverpool.

A competition has been launched by English Industrial Estates for development proposals for this important site.

EIE are also proposing to develop the 7 acre former Exchange Station site for commercial uses.

More generally the Enterprise Zone at Speke which is now to be extended, provides incentives and opportunities for badly-needed development and jobs in this part of the city.

English Industrial Estates have constructed a number of small factory units (Beehive units), while Urban Programme Funding has been approved to build a major sewer across part of the Zone which should enable speedier development.

Nationally we have compiled registers of all publicly-owned land in every local authority and we are actively investigating the potential of individual sites on the registers for development. This will be of major benefit to developers in the Merseyside area.

As I indicated earlier, much of the major infrastructure in the area is inadequate and needs to be improved if the prospects for development are to be realised.

In recent months, therefore, I have been concentrating on this aspect of Merseyside's problems.

Let me start with the Airport.

I have approved urgan programme support of £2.5m for the construction by the County Council of a new runway apron and other associated works.

I understand that the work on the apron will start very shortly.

This will, I hope, provide a further stimulus to the development of new terminal facilities in association with the private sector.

Following close co-operation with the City and the County I have approved urban programme funds for the refurbishment of Lime Street Station; this will also facilitate the refurbishment of Lime Street Chambers by the private sector for office, shop and residential development.

This work will provide a much improved image of the city to tourists, businessmen and other visitors arriving in Liverpool by rail.
I very much hope it will be ready in time for the Garden Festival in 1984.

I referred earlier to the problems of the Mersey estuary.
The current condition of the river and its tributaries is appalling.
The pollution spreads well to the east of Manchester, and the challenge it not only for Merseyside but for the heartlands of the North West of England.

I have already increased the amounts which I expect the North West Water Authority to spend by 1985 on their programme of improvement to the Mersey Estuary from £90m to £170m.

But necessary though that programme is, much more needs to be done if the overall quality of the river itself is to be raised.

I therefore launched last month a major consultation process in which I invited the views of all involved - the private sector companies, local government, the water industry, environmental groups and the voluntary sector - on how we should go about tackling this substantial problem.

I shall be holding a conference in the Spring of next year when we shall be discussing the outcome of this consultation process.

We must put a timescale on the environmental reclamation of the Mersey and its tributaries.

But we should be in no doubt that a major task lies ahead of us, taking perhaps some 20-30 years and possibly costing up to £2,000bn.

Environmental problems in the North West, however, are not confined to the inner cities or to the Mersey catchment area.

There is a signficant problem in what is known as the Urban Fringe - land on the outskirts of the major cities which is derelict, disused and often strewn with rubbish.

An approach for tackling this type of problem has been pioneered in St Helens and Knowsley where a Trust has been set up to harness the skills and resources of the Countryside Commission, local people and industry, local authorities and the voluntary sector.

Funds from the MSC have been made available and derelict land grant has made a contribution where appropriate.

I was so impressed with the success of this scheme - known as the Groundwork Trust - that in October I announced that I was setting aside £4m of derelict land grant to extend the programme in conjunction with the Countryside Commission to other parts of the North West. Local authorities have been invited to put in bids by the end of December and I hope to be in a position to announce the successful schemes sometime in February.

For me my experience on Merseyside has impressed me more by the scale of the opportunity rather than the scale of the problem.
In every direction I have turned there is such opportunity.
If only it is recognised and grasped.
And there are still significant aspects of our public sector where the ground remains unexplored.
Inevitably, the emphasis of my remarks has been on the very severe problems of Merseyside.
There are so many assets, so much talent, so vibrant a society.

I have already referred to the Garden Festival, which the organisers hope will attract some 3 million visitors to Merseyside in 1984.
The need now is to build on this year after year.
Other projects are in prospect.
The boat museum at Ellesmere Port is already a living reality to add to the work of the county in developing the maritime museum.
Both these projects will lead to the restoration of historic ports to provide major tourist attractions.

A little over a year ago, I announced the idea of establishing a Northern Tate Gallery in the Albert Dock Warehouse complex in Liverpool. This remains a most exciting project, which I hope will provide a real asset for the city.

Finally, this past year has seen a significant boost to Merseyside's prowess in the sporting field.

In order to increase the amount of resources available in this area, I announced last year that the Government would match pound for pound allcontributions by the private sector towards sport and recreation projects up to a maximum of £1m.

The contributions promised by the private sector exceeded £1m by another £¼m.

So the Government matched it.

This magnificent response from the private sector has enabled a start on a long list of projects to provide better facilities in the Merseyside area.

Conclusion

Let me end with the question with which I began.

Do I believe that the time I have so far spent on Merseyside has been a success?

My answer has to be "yes".

But only if I may define carefully why I believe so.

A year ago I could only listen to the questions and offer few solutions.

Will the private sector provide the money the public sector can't afford?

How do we cope with rundown council estates?

Can the public and private sectors work more effectively together?

By what means do we tackle the dereliction and waste of unused land?

Is there any room for hope in a climate so dominated by despair?

Today I believe there are answers.

There are examples of practical achievement.

There is a way forward.

If on the other hand the definition of success is the resolution of

Merseyside's historic problems of decline or the elimination of the tragic levels of unemployment then the answer was always bound to be "no".

That sort of success was never withinthe timescale of possibility.

There are no magic solutions, no short term palliatives.

We may wish that there were, some politicians may even say that there are.

It is a cruel deception.

No matter how hard we try or how much effort we make,solving the problems of this area will take time and commitment over decades rather than years.

But I believe there is a beginning.

Much of what we have done has happened in unchartered teritory.

And already the practical lessons are being studied and applied in a wider national context.

Our total commitment today to the urban problem is in a different league from anything attempted by previous governments.

The partnership between the public and private sectors has never been so closely and so beneficially advanced.

The banks, building societies and financial institutions all over the country are now working with local government, with our encouragement, to recreate a spirit of local community that certainly has not been a part of the British political horizon since the war.

There is self evidently a growing body of people today determined that this area will revive and rebuild. They are backing that determination with their time and their money. In whatever way I can I am proud to be in their company.

NG

REGIONAL POLICY. SEJ

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

21 DEC 82

Dear Leslie

Following our review of inner city policy I announced in February last year that we had decided not to make any changes in the lists of authorities with special status under the Urban Programme. Since then we have come under increasing pressure to make changes, particularly in the light of 1981 census data which show various changes in the distribution of urban deprivation, with considerable increases in the West Midlands and Inner London. Taken together, these changes make it impossible in my view to defend the current lists.

We have now carried out a detailed analysis of 1981 census data, and in the light of that I propose a number of changes in the lists. There is a number of authorities where it could be argued that levels of deprivation do not justify current status, but I do not think that we should make any demotions now - such demotions would lead to major rows, and would save little money in the short term because of the high levels of commitments within approved expenditure programmes. Instead, I shall reduce Urban Programme allocations as circumstances permit.

At the other end of the scale, there are a number of authorities with strong claims to enhanced status, and I therefore propose the following changes:

New Programme Authorities

Blackburn, Brent, Coventry, Knowsley, Rochdale, Sandwell, Tower Hamlets and Wandsworth.

New Other Designated Districts

Burnley, Langbaurgh, Walsall

I enclose a note showing what the lists would look like if these changes were made. In arriving at these changes I have sought to maintain as far as possible our policy of concentrating UP resources in the most deprived areas, and also to achieve a balance between London and the rest of the country. The second aim is particularly difficult - there are a number of other Inner London boroughs for which programme authority status could easily be justified.

I shall be able to find the UP resources for the authorities I propose to promote from the existing provision for 1983/84.

It might be argued that decisions on changes should be put off until the present official level review of regional policy is completed and decisions on that have been taken. But if the new programme authorities are to achieve anything in 1983/84 I need to announce the changes as early as possible in the New Year. I cannot believe that the review will lead to wholesale changes in the organisation of the Urban Programme and the changes I propose in any case are fairly modest. Subject to any comments from you or colleagues, I therefore intend to invite the authorities to accept their new status as soon as possible and then to lay the necessary statutory instruments designating the extra authorities under the Inner Urban Areas Act 1978.

I ought also to raise the marker at this stage that I may have to consider special treatment for Kensington and Chelsea, which faces particular problems under the block grant system. I will if necessary write again to colleagues. This need not however, delay the announcement of the proposals I describe in this letter.

I am sending copies of this letter to the Prime Minister, Keith Joseph, George Younger, Nicholas Edwards, Patrick Jenkin, David Howell, Norman Fowler, Leon Brittan, Norman Tebbit and Sir Robert Armstrong.

Yours ever

MICHAEL HESELTINE

The Rt Hon William Whitelaw CH MC MC

2F

A.

URBAN PROGRAMME AUTHORITIES - REVISED LISTS

Partnerships (7)

Birmingham
Hackney
Islington
Lambeth
Liverpool
Manchester/Salford
Newcastle/Gateshead

Programme Authorities (23)

Blackburn
Bolton
Bradford
Brent
Coventry
Hammersmith
Hull
Knowsley
Leeds
Leicester
Middlesbrough
Nottingham
Oldham
Rochdale
Sandwell
Sheffield
Sunderland
Tower Hamlets
North Tyneside
South Tyneside
Wandsworth
Wirral
Wolverhampton

ıer Designated Districts (16)

Barnsley
Burnley
Doncaster
Ealing
Greenwich
Haringey
Hartlepool
Langbaurgh
Lewisham
Newham
Rotherham
St Helens
Sefton
Southwark
Walsall
Wigan

Reg Pol, Inner Cities, Pt 3

S

Reg Pol

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref: H/PSO/16689/82

Your ref:

18 October 1982

Pa.

19/10

Dear Tim

INTERNATIONAL GARDEN FESTIVAL OF LIVERPOOL
POSSIBLE PARTICIPATION BY SOUTH AFRICA

Thank you for your letter of 1 October, recording the Prime Minister's agreement with the Home Secretary that South Africa should not be invited to participate at this festival.

My Secretary of State has now written to Lord Aberconway to say that an invitation should not be issued, and to ask him to let this Department and the Foreign and Commonwealth Office know of any spontaneous approach from South Africa. This will allow for the co-ordination of response which the Foreign Secretary sought in his letter of 27 September.

I am copying this letter to John Holmes (Foreign and Commonwealth Office) and Colin Walters (Home Office).

Yours sincerely

Roger Bright

R BRIGHT
Private Secretary

Tim Flesher Esq

Regional Policy, Inner Cities, 243

Regional Policy
HL

10 DOWNING STREET

From the Private Secretary

1 October 1982

The Prime Minister has now seen your Secretary of State's letter of 10 September to the Home Secretary about the International Garden Festival of Liverpool; she has also seen the Foreign Secretary's minute of 27 September and the Home Secretary's letter of 28 September on the same subject. The Prime Minister agrees with the Home Secretary that South Africans should not be invited to participate in the Festival. She has commented that such an invitation could only cause trouble.

I am sending copies of this letter to John Holmes (FCO) and Colin Walters (Home Office).

TF

TF

David Edmonds, Esq.,
Department of the Environment.

RM

4

PRIME MINISTER

INTERNATIONAL GARDEN FESTIVAL OF LIVERPOOL

With Mr. Heseltine's encouragement, the Merseyside Development Corporation are holding a major exhibition on reclaimed land in Merseyside which they hope will attract some three million visitors. About 20-25 other countries may well exhibit. Mr. Heseltine (Flag A) seeks guidance on whether the South Africans should be invited to exhibit and if not, what response should be given should they take the initiative. The Foreign Secretary (Flag B) would have no objection to the South Africans being invited. The Home Secretary, however, (Flag C) advises very firmly that the South Africans should be neither invited nor allowed to participate if they ask. His view is that South African participation would be seen as "an act of considerable insensitivity if not a deliberate afront to the feelings of the local community" and will be likely to provoke considerable disorder.

I agree with the Foreign Secretary: such an invitation could only cause trouble

TH

29 September 1982

C.

QUEEN ANNE'S GATE LONDON SW1H 9AT

28 September 1982

Dear Michael.

INTERNATIONAL GARDEN FESTIVAL OF LIVERPOOL 1984
POSSIBLE PARTICIPATION OF SOUTH AFRICA

Thank you for your letter of 10 September about whether or not the South African Government should be invited to participate in the International Garden Festival of Liverpool in 1984 and how to advise Lord Aberconway and the Merseyside Development Corporation to respond were the South Africans to take the initiative in seeking to participate.

I have also seen Francis Pym's minute to you of 27 September, and I fully appreciate what he says about our general policy towards South Africa. In the special circumstances of Merseyside, however, I believe firmly that the South Africans should neither be invited to participate in this Festival nor allowed to if they were asked.

Since the opening of the Festival is some eighteen months ahead, it is not at present possible to assess accurately whether or not South African participation would provoke disorder, either from members of the local population, including, but not only, the ethnic minority communities, or from demonstrators from elsewhere. It could, however, hardly augur well that, as I understand, the Festival site will be within walking distance of parts of Toxteth.

But, in any event, it seems to me evident that South African participation would be deeply resented. If we needed to distinguish the Festival from the Chelsea Flower Show, there is a difference of geography as well as of sponsorship. I understand that this summer there was a flower show in Southport at which the South Africans exhibited and which as a result was widely boycotted. It reflects his judgment of local sensitivities, both among the population generally and of political groups, that the Chief Constable of Merseyside declined an invitation to open that show or otherwise attend it.

This reinforces my judgment that to permit South African participation in the officially sponsored Festival would be seen as an act of considerable insensitivity, if not a deliberate affront, to the feelings of the local community. Whether the South Africans had been invited, or were merely allowed, to participate would be seen as a distinction without a difference. The inevitable controversy of their participation would embarrass not only the Government, as the prime movers of the Festival, but also Her Majesty The Queen, in Her capacity as its patron.

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

/cont ....

If in the light of these considerations colleagues share my judgment, it seems clear that Lord Aberconway should be informed as soon as possible that the South Africans should be excluded from the Festival. Even the suggestion that participation by them was being contemplated could do harm. No doubt you will consult Francis, as he has suggested, on how best to deal with an approach from the South African Government, if they were to make one.

I am copying this letter to the Prime Minister and to Francis Pym.

Yours ever.

Willie

Regional Policy, Inner Cities,
Pt 3

Reg Pol

B

FCS/82/141

Await news of Home Secretary

JH 27/9

SECRETARY OF STATE FOR THE ENVIRONMENT

International Garden Festival of Liverpool, 1984: Possible Participation by South Africa

BU when available.

1. Thank you for sending me a copy of your letter of 10 September to Willie Whitelaw.

2. Apart from certain specified fields where there are special constraints (arms sales, military collaboration, nuclear contacts and sport), it is policy to maintain normal relations with South Africa and to use our contacts to encourage peaceful change in that country.

3. From this point of view there would be no reason to exclude the South Africans from participating in the Liverpool International Garden Festival if they wished to do so. Such exclusion would be difficult to justify either to the South Africans, with whom our relations could be harmed, or in this country.

4. I realise of course that there are many people strongly opposed to any links or contacts between this country and South Africa. Whether adverse domestic reaction to South African participation in the Festival would be such as to create the risk of serious incidents which would outweigh the policy considerations outlined above is a question for the Home Secretary.

5. It will be clear from this that we should have no objection if it were decided that the South Africans should be invited. If, however, no invitation is sent but the South Africans themselves take the initiative in seeking to participate, we hope you would consult us again so that we can coordinate a response to any complaint they might make if their offer is rejected.

/6.

6. I am copying this minute to the Prime Minister and to Willie Whitelaw.

(FRANCIS PYM)

27 September, 1982
Foreign and Commonwealth Office

Regional Plan, Inner Cities,
Pt 3

010

John Coles
Will you deal with this?
MCS 13/9

Reg Pd
A

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/15426/82

Your ref:

10 SEP 82

Await views of Home Secretary. S.U. when available.

MR 13/9.

Dear Mrs Thatcher

INTERNATIONAL GARDEN FESTIVAL OF LIVERPOOL, 1984
POSSIBLE PARTICIPATION BY SOUTH AFRICA

You may know that, at my invitation, the Merseyside Development Corporation will stage a major horticultural, landscape and leisure exhibition in Liverpool between April and October 1984, on a 250-acre Merseyside site which they are now reclaiming from a state of considerable dereliction. Her Majesty The Queen has agreed to be the festival's patron, and we estimate that as many as 3 million people may attend over the 6 months.

In June of this year, the Liverpool festival was formally awarded international recognition by the Bureau International des Expositions (BIE) in Paris. This recognition allows the host Government to invite official participation at the festival from other Governments. We anticipate that between 20 and 25 other countries may well respond positively to an invitation, and contribute national gardens to the Liverpool festival.

BIE regulations require that a host Government should appoint a Commissioner-General of Exhibition to oversee arrangements for international participation. I have appointed Lord Aberconway, President of the Royal Horticultural Society, as Commissioner-General of the Liverpool festival, and he has raised the question of possible South African participation, and the possibility of domestic controversy, on which I would welcome your views.

Lord Aberconway has pointed out that, while South Africa regularly exhibits at the Chelsea Flower Show without exciting controversy, an official South African presence in Liverpool in 1984 might well provoke a disruptive reaction from local groups in Liverpool where race relations are difficult. Further, the Chelsea Flower Show is organised by a private body, the RHS, while the Liverpool festival will be Government-sponsored.

I think that Lord Aberconway is right to ask us to consider the question at this early stage. No invitation has been sent to the South African Government, and BIE regulations do not require that one should be sent. We need to decide not only how to act on the invitation, however, but also how to react to any possible approach from South Africa. If we decide against a South African presence at the Liverpool festival, we would have to advise Lord Aberconway and the MDC to turn down such an approach.

I see the potential for disruption which is of concern to Lord Aberconway, but this is clearly a sensitive issue on which I would welcome colleagues' views. I am copying this letter to the Prime Minister and to Francis Pym, and would be grateful for an early reaction.

Yours ever

MICHAEL HESELTINE

The Rt Hon William Whitelaw CH MC MP

2F

East London River Crossing

27.7.82
CN 508.

Mr. Neubert asked the Secretary of State for Transport when he will announce the result of the public consultation on the proposed East London river crossing.

Mr. David Howell: The scheme which I have selected to be developed for the new East London river crossing is the one put forward at the public consultation in October 1981, incorporating alternative alignment Y in the Wickham Lane area and a new alignment slightly to the east of alternative alignment B in the area of Oxleas Wood.

In reaching my decision I have given careful consideration to the views of the elected local authorities and just over 1,000 members of the public who completed a questionnaire on the scheme. The line chosen at Wickham lane requires more properties to be demolished, but is better in environmental terms: it was the alternative favoured by the majority of those who responded on this part of the scheme at public consultation. At Oxleas Wood

strong views were expressed in favour of keeping as large an area as possible of the wood undisturbed: by moving the line further to the east I have sought to achieve this.

A detailed statement of the results of the consultation has been placed in the Library. My hon. Friend the Under-Secretary of State will also make presentations of the selected scheme to interested members and to local councillors in the Autumn.

Together with the South Woodford to Barking relief road, at present the subject of a local public inquiry, the East London river crossing scheme will extend the existing dual carriageway A406 trunk road across the Thames to connect with the A2 and Dover. It will thus significantly improve access to the docklands area and play an important part in its economic development. The provision of a purpose-built route will help remove the environmental damage at present being suffered on residential roads on the present inadequate road network in the area.

This Government give very high priority to the regeneration of this area of East London, and I am anxious that we should push ahead quickly with the next stages in the development of the scheme. I have therefore instructed Sir William Halcrow and Partners, the consulting engineers who carried out the initial studies, to prepare draft orders for the scheme under the Highway's Act. In the meantime we shall safeguard the land required for the preferred scheme.

cc Press Office
Regional Pol

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

1 Mr Scholar
2 Prime Minister

William Rickett Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

22 July 1982

Dear Willie,

EAST LONDON RIVER CROSSING

The Prime Minister will wish to know of the announcement which the Secretary of State proposes to make of the preferred scheme for the East London River Crossing. This will be done through an arranged written question on 27 July to be answered after 3.30 pm.

The scheme, which was put to public consultation last October, is the last, and most important, of the three trunk road schemes which make up the Docklands "package": the others are the South Woodford to Barking Relief Road and the Hackney-M11 link road. By extending the present North Circular Road as a trunk road to the A2 south of the Thames (thus linking with Dover and the Channel ports), it will make a significant contribution to the development of Docklands by attracting industry to the area. It will also be important as a demonstration of the Government's commitment to regeneration of this area of East London.

The public reaction to the scheme was on the whole not unfavourable although, not surprisingly, a number questioned the need for the scheme and others commented on the detail. Apart from the London Borough of Greenwich, who oppose the scheme, the Local Authorities (including GLC) gave it support in principle, with some reservations on specific aspects of the proposals. These will be discussed as the scheme is developed.

The next stage will be to prepare draft Orders under the Highways Act and we shall extend the appointment of Sir William Halcrow and Partners, the consulting engineers who have carried out the studies so far, to do this work.

/ I enclose copies of the draft Question and Answer, and the press notice.

I am copying this letter to Nick Huxtable (Lord President's Office) and to Murdo Maclean (Chief Whip's Office).

Yours ever,

Toby Johns

T. JOHNS
Private Secretary

DM

APPENDIX A

DRAFT PQ, for written answer on 27 July 1982

To ask the Secretary of State for Transport if he will announce the result of the public consultation on the proposed East London River Crossing.

DRAFT ANSWER

The scheme which I have selected to be developed for the new East London River Crossing is the one put forward at the public consultation in October 1981, incorporating alternative alignment Y in the Wickham Lane area and a new alignment slightly to the east of alternative alignment B in the area of Oxleas Wood.

In reaching my decision I have given careful consideration to the views of the elected local authorities and just over 1000 members of the public who completed a questionnaire on the scheme. The line chosen at Wickham Lane requires more properties to be demolished, but is better in environmental terms: it was the alternative favoured by the majority of those who responded on this part of the scheme at public consultation. At Oxleas Wood strong views were expressed in favour of keeping as large an area as possible of the wood undisturbed: by moving the line further to the east I have sought to achieve this.

A detailed statement of the results of the consultation has been placed in the Library. My hon Friend the Parliamentary Under Secretary of State will also make presentations of the selected scheme to interested members and to Local Councillors in the Autumn.

Together with the South Woodford to Barking Relief Road, at present the subject of a local public inquiry, the East London River Crossing scheme will extend the existing dual carriageway A406 trunk road across the Thames to connect with the A2 and Dover. It will thus significantly improve access to the Docklands area and play an important part in its economic development. The provision of a purpose-built route will help remove the environmental damage at present being suffered on residential roads on the present inadequate road network in the area.

This government gives very high priority to the regeneration of this area of East London and I am anxious that we should push ahead quickly with the next stages in the development of the scheme. I have therefore instructed Sir William Halcrow and Partners, the consulting engineers who carried out the initial studies, to prepare draft orders for the scheme under the Highways Act. In the meantime we shall safeguard the land required for the preferred scheme.

DM

APPENDIX C

DRAFT PRESS NOTICE

The Rt hon David Howell Secretary of State for Transport today announced his decision on the scheme for a new East London River Crossing from the A13 in Barking to the A2 at Falconwood. This follows the public consultation held in October/November 1981 on the proposed route which had alternative alignments over two sections.

The preferred scheme is that put forward at public consultation incorporating alternative alignment Y in the Wickham Lane area and a new alignment slightly to the east of alternative alignment B in the Oxleas Wood area.

Commenting on his decision Mr Howell said:

> "The initial public response to the consultation was encouraging with more than three thousand people visiting the public exhibitions. Over ten thousand documents and questionnaires were distributed. However, only about a thousand were completed and returned. In reaching my decision I have given very careful consideration to the opinions of those who did return the questionnaries, and to the views of the elected local authorities. This scheme which, with the South Woodford to Barking Relief Road will extend the existing dual carriageway North Circular Road over the Thames to connect with the A2 and Dover, will significantly improve access to Docklands. This Government gives very high priority to the regeneration of this area of East London and better road access will play an important part in attracting industrial development.

I am anxious that no time should be lost in taking the scheme forward and Sir William Halcrow and Partners, consulting engineers, have been instructed to prepare details which can be published as soon as possible in the form of draft Orders under the Highways Act. In the meantime we shall safeguard the land required for the preferred scheme."

A detailed statement on the consultation will be sent to local authorities and interested organisations. Copies of that statement will be placed on deposit for inspection by members of the public from 28 July 1982 at Council Offices and public libraries. The full list of addresses is at Annex 1 to this Notice.

Copies of the statement can also be obtained from the Greater London Roads and Traffic Division, Department of Transport, Room 2/18, St Christopher House, Southwark Street, London SE1 OTE.

NOTE TO EDITORS

The public exhibitions were held at St Nicholas Church Hall, Plumstead, the Beckton Community Centre and at Woolwich Town Hall in October 1981. Sir William Halcrow and Partners were originally appointed in April 1980 to undertake a detailed study of an East London River Crossing up to the Public Consultation stage.

The 5¾ mile (9.2 kilometres) proposed scheme will start at a junction with the A13 near Barking Creek and cross the Thames on a high-level bridge at Gallions Reach. From a junction with Thamesmead Spine Road

the new highway will pass over Nathan Way and the North Kent Railway line before passing under Plumstead High Street. From there it will continue between Wickham Lane and Plumstead Common (following alignment Y) to pass over Kings Highway into a cut and cover tunnel under Rockcliffe Gardens, which will be restored after construction. The road will continue in cutting under Highmead before rising to ground level beside Dryden Road and passing under Shooters Hill Road where there will be a junction. From there it will run on the new alignment to the east of alternative B to pass under Welling Way and cross the railway to join the Greater London Council's new Rochester Way Relief Road (A2) Falconwood.

NBPM

MCS 26/5

cc Regional Policy

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

26 May 1982

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

Dear Michael

PRESENTATION TO NEDC ON INNER CITY INITIATIVES

Thank you for your letter of 21 May covering the draft of the presentation you will be making to NEDC on 7 June. It strikes me as admirable; but can I suggest that you add some reference to the Enterprise Zones, the Urban Development Corporations, and the tax concessions for Enterprise Agencies which were announced in the Budget? My officials are already in touch with yours about this.

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

This confirms the talk we had before Cabinet, when you agreed to take the points on board

GEOFFREY HOWE

Prime Minister ②

c/c JV
Regional Policy

MCS 21/5

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

21 May 1982

Dear Geoffrey

We agreed in March that I would give a presentation to NEDC on inner city initiatives on 7 June. I now enclose a draft of the presentation that I propose to make. Subject to your views I propose to circulate a 3 page summary in advance.

I intend using as much illustrative material as possible in the presentation, which I hope will at least provide an alternative approach to meetings that we sit through, as well as giving extra emphasis to the wide range of initiatives that we have taken.

Following the NEDC presentation I propose to mount a series of full day presentations in the worst English inner city areas - Birmingham, Manchester, Newcastle, Liverpool and possibly London. These will essentially be an expanded version of the NEDC presentation. The audience for these local presentations will be local authority leaders, local business leaders and representatives of a wide range of the other groups active in those areas. Ministers who are involved in the partnerships would be welcome to attend the local presentations if they so wished - perhaps they could let my Private Office know if they do, so that they can tell them of dates and other arrangements.

I am sending copies of this letter to Willie Whitelaw, Keith Jospeh, George Younger, Nicholas Edwards, Patrick Jenkin, Arthur Cockfield, David Howell, Norman Fowler, Nigel Lawson, Norman Tebbit and to No 10.

Yours ever

MICHAEL HESELTINE

Rt Hon Sir Geoffrey Howe QC MP

GM

URBAN INITIATIVES: NEDC PRESENTATION

HISTORICAL DEVELOPMENT OF THE MAJOR CITIES

1. Reasons for their growth - river, port, canal.

2. Growth constrained and sustained by the rigid transport pattern this imposed. Railways reinforced this pattern. This rigidity provided a guarantee of growth. Work, investment and housing had to be located within easy reach of transport facilities and hence close together. The whole social range lived in the cities, not just the working people.

3. Still face the legacy of that massive urban development today. Social problems that it brought in its wake were as intense as those we face in the inner cities in the 1980s. But the great strength of the cities at that time was the commitment of the great industrial and commercial families to them. Room for debate about their motives, and the balance between public benefaction and retention of private wealth. But no question that the prosperity of the areas had its mainspring in men who owned and controlled their companies, and the people who worked for them.

4. Today the entrepreneurial commitment of these people has been replaced by institutional wealth. Locally based companies have been taken over by national or international conglomerates. Dramatic change has taken place over the last 80 years. At the turn of the century inner city congestion was dreadful and the environment and social conditions appalling. But the communities in the inner cities were tightly knit and balanced. One could genuinely call them communities. Today, we have huge metropolises, from the centre of which all those who could escape have escaped.

5. This change started with the growth of road transport - car, lorry, bus. Industrial location was power. Prosperity and easy transport connections brought property ownership. Modern communications extended the opportunity. Gradually

all those who could leave the inner cities did so. Owners first, then managers, then the middle and skilled working classes. They chose modern housing, on green field sites, with gardens, to the congestion of the inner cities.

6. Most of this movement was voluntary, but successive Governments encouraged it, because of the appalling conditions in the cities. Much of what happened, had to happen. The slums had to be cleared. Many of the new services were vital. But the missing factor was social balance. The communities left behind in the inner cities contain disportionate numbers of the disadvantaged.

7. Accompanying this process of outward migration has been an increase in centralised control, and an increase in the size of organisations. Increasingly public sector institutions have become remote from the people they serve. Where the public sector has taken over it has seen its purpose exclusively as caring for those in need. With the benefit of hindsight much of what the public sector has done has been done badly.

8. Massive housing developments, controlled from the centre. Slum clearance programmes and over-rigid planning policies that have destroyed small businesses.

9. Scale of effort and cash expenditure already spent has been vast. Continued existence of inner city problems cannot be ascribed simply to lack of public investment or public commitment. Increasing amounts have been spent, increasing numbers employed. But because of the way the money has been spent and the people used, problems are almost as great today as they were 10 years ago, when Peter Walker commissioned the Inner Area studies.

WHERE DO WE GO FROM HERE?

11. The processes described add up to a loss of community life in our old cities. The ultimate failure is the breakdown of public order. Picture painted so far is a gloomy one. Vital that we all recognise that problems have developed over decades, and cannot be solved overnight. If we don't recognise this, then things

like the Merseyside initiative will raise impossible expectations, and people will be so disappointed that they will abandon the long journey towards inner city regeneration when it's only just begun.

12. Is there any solution? Should we simply abandon that journey, and listen instead to those who say the inner cities should be grassed over? On the contrary, plenty of evidence that inner city regeneration is possible. In the limited time available I want to show you some of that evidence. To persuade you that the opportunities exist, but will come to nothing if we do not, all of us, go out and sell them.

13. The challenges that we face are to recreate a sense of community, to make sure that we make the best possible use of every asset, and to make the inner city a place people want to live in, work in, invest in.

RECREATING A SENSE OF COMMUNITY

14. Last Government set up Partnerships in the inner city. Underlying ideas were right - co-ordination, joint working between central and local government. But what happened was too narrow and over-bureaucratic. Despite what their White Paper said, didn't manage to involve the private sector and the community. We have continued partnerships, streamlined their operations, given priority to economic regeneration, insisted on involvement of the private sector and local communities. This year, highest level ever of UP resources.

15. This demonstrates Government's commitment. A long way to go, but some moves in the right direction. Theme throughout is joint working - central and local government, public and private sector, government and community.

INITIATIVES TO BRING PUBLIC AND PRIVATE TOGETHER

16. This year a group of leading businessmen led by Sir Alastair set up Business in the community, to encourage the involvement of leading industrial and commercial concerns in the economic and social development of the communities in

which they are based. Already achieving much - encouraging the establishment of local enterprise agencies; arranging secondments to help small firms get off the ground; providing advice to local authorities and firms who want to work more closely together.

17. Still at the national level, 26 of the major financial institutions have seconded managers to my Department, to examine existing programmes for the inner cities, devise new ideas and through that help bridge the gulf that exists between public and private sectors. These managers - jointly known as FIG - will go back to their institution with a new perspective on the role they have to play, and I hope will infect their institutions with the germ they have caught. As well as that longer term benefit, they have already launched a number of ideas.

18. One is the Urban Development Grant that Geoffrey Howe announced in the budget. We carried out a limited experiment with the derelict land programme this year, under which local authorities and the private sector acting together bid for resources where the public investment would attract matching private investment. Real success - £10m of public investment will bring £70-100m of private. Building on this experience, and the American model that the managers studied during their visit there, up to £70m will be available for joint schemes within the derelict land and urban programme, where the public and private sector together will lead to levels of expenditure far in excess of what the public sector alone can afford.

19. Another FIG proposal is for establishing a service company, backed by a number of institutions, designed to find and promote inner city projects. A third, again based on United States experience, is to persuade the major clearing banks to appoint people whose special role is to identify obstacles where they occur in developing business in inner city areas.

20. At the local level, private firms have provided me with 15 managers on Merseyside to promote the experiments we are carrying out. They are setting up

specialist training centres, helping with the facelift of industrial estates, helping small businesses in inner city areas, helping to promote tourist facilities and the Speke Enterprise Zone.

21. Outside Merseyside, the Urban Programme as a whole has had the benefit of advice from the private sector. I have insisted that Partnership's inner area programmes should not be approved without that advice, often the Chamber of Commerce has been the channel for that advice. Many valuable economic projects have been carried out under the Urban Programme. Here are a few examples.....

22. In many places Chamber of Commerce have been the prime agents in setting up local enterprise agencies. Some 60 of these are already in being, and /50/ more under active discussion. Activities vary to suit local needs - advice and help to small firms, environmental improvement. All share a philosophy that business has a part to play in the local community.

23. Talked so far of bringing together the public and private sector mainly in terms of private companies. Obviously equally important part of private sector is the people who work for those companies. Less successful up to now in involving local trade unionists is the task of inner city regeneration. Some discussions nationally with TUC on inner city proposals. Had to differ on level of extra resources than can be made available, but useful exchange of views which I hope will continue. Perhaps we could discuss later how local trade councils or Regional TUC could make an input.

ENCOURAGING VOLUNTEERS

24. Another source of energy for the recreation of community spirit is that of individual volunteers. Not easy to tap that energy effectively - its value is its variety, and the fact that it cannot be controlled. Essential to provide it

with channels - local and national voluntary organisations, often themselves professionalised, can provide those channels. Need to be careful not simply substitutes for public service provision.

USING EVERY ASSET

25. Second theme referred to is the need to make the best possible use of every asset. Already referred to the vast public resources being spent - over £2 billion goes to Merseyside each year. Simply pouring more in is not the answer - higher rates and taxes will hardly encourage business to generate the new wealth that is needed. Must make sure that current expenditure is used in the way best designed to provide good service, and at same time must control current expenditure so as to leave room for capital expenditure - matched by private investment wherever possible - which will provide lasting benefits for the community.

HOUSING

26. As well as money, need to make sure we are making the best possible use of physical resources - housing, land, other buildings. Vast range of initiatives in the housing field, aimed at improving the existing stock and improving housing management. Many of these particularly relevant to inner cities - much old housing in need of improvement, new housing developments that require careful and sensitive management, need to create more balanced communities there, though provide more opportunities for owner occupation. Just mention three initiatives - community refurbishment in Merseyside; Priority Estates Project in Lambeth, Hackney and Bolton; improvement initiative.

LAND

27. Vast tracts of vacant and under-used land in our cities. Land registers initiative identified 21,000 acres on the first 35 registers, mainly in inner cities. 4,000 acres already on the market, 1,000 in preparation. 1,000 acres already sold. Leading to much more realistic land management policies in public sector, and providing real opportunities for private sector, either on its own or working jointly with local authorities.

BUILDINGS

28. Many redundant factories, vacant buildings in the inner city. Some of them important features of our material heritage - further facet of the community. Important that possibilities of re-use are fully considered before they are demolished, or simply allowed to rot. Department provides much support for this, through Historic Buildings Council and Urban Programme. A few examples..... 103 industrial improvement areas have been declared by inner city authorities in England, within which special help is available for the improvement of existing premises.

MAKING THE CITY A GOOD PLACE TO LIVE AND WORK IN

29. My third theme is the need to make the city a place where people want to live, work and invest. Many of the initiatives I have described already are obviously relevant. By recreating a sense of community, by making the best use of resources available, by building up real partnerships between all the people and organisations involved, we can and we must inject new life into our cities, so that we halt and then reverse the process of decay.

ENVIRONMENT

30. The appearance of many of our inner city areas is itself a major deterrent to their regeneration. So substantial Urban Programme resources are being used for environmental improvement. A few examples.... Liverpool in particular has achieved substantial environmental improvements using Urban Programme funds. We have built on this during my time on Merseyside - Urban Fringe Experiment, Anglican Cathedral site.

RACE

31. Race is an important factor in the inner cities. It is over two decades since the first significant numbers of immigrants began to add yet one more pressure to urban areas. We have to face the problems of racism and racial disadvantage.

Within Government lead rests with Home Secretary. In my own Department I have given Sir George Young special responsibility for racial aspects of our work. We have established a working party with the local authorities to compare best practice. I hope that the FIG initiative I mentioned earlier will help overcome the problems that many black business men seem to experience in securing financial support.

32. Many Urban Programme projects are aimed directly at the problems of ethnic minorities, or based in areas where significant numbers of ethnic minorities will benefit. A few examples, including information technology and Merseyside.----

HOUSING

33. Already mentioned housing improvement and better housing management. Basic need is to create more balanced communities by providing more opportunities for owner occupation in the inner cities. Sale of council houses will achieve this, as will various low cost home ownership initiatives. Just describe two of these - building under licence in Liverpool and construction of low cost homes in Beckton.

SPORT AND RECREATION

34. Creation of adequate leisure opportunities in the inner city also important contribution to making them more attractive. Public/private sector can co-operate in this as well - for example the Merseyside £1m initiative, and some Urban Programme projects.... The latest Sports Council initiative to provide community sports leaders who will encourage deprived groups in inner city areas to participate in sports.

CONCLUSION

35. I hope I have managed in the short time available to demonstrate the wide range of initiatives under way. As I said at the beginning, we cannot expect to reverse decades of decline overnight. My theme throughout has been the importance of joint working, of co-operation, of genuine partnership. Inner city regeneration

will only happen if the whole of society commits itself to that goal, and if all of us do all we can to exploit the opportunities that exist. People will not move back into the inner cities, jobs will not be created there, if we meekly sit back and wait for our initiatives to work. What we have to do is go out and ask busy and committed people to look afresh at their attitudes and practices, and consider what they can do to help. The members of NEDC are some of those people. I would welcome a discussion of the initiatives and opportunities that exist, and how we might develop them, jointly and severally.

Prime Minister (4)

MCS 18/5 cc JV

Treasury Chambers, Parliament Street, SW1P 3AG

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

17 May 1982

Dear Michael,

PRIVATE FINANCE FOR THE WATER INDUSTRY : SEWAGE TREATMENT IN MERSEYSIDE

Thank you for your letter of 30 April. As I said in my earlier letter, I am sorry that the work done on this project has proved fruitless, but I am sure it was worth trying. I think the best way forward, now, is for you to consider with North West Water Authority what would be involved in accelerating their existing plans. When you have firmer proposals, and a better idea of the amounts of money involved and the timing, I will be happy to consider them. We are of course about to embark on this year's round of Survey discussion, and I would hope we could deal with the matter in that context, naturally without any commitment whatsoever on my part.

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

Yours
Leon

LEON BRITTAN

NG

Prime Minister (2)

MCS 5/5

cc JV

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref: H/PSO/13035/82

Your ref:

30 April 1982

MT

Dear Leon

Thank you for your letter of 16 April. I am glad you would like to be able to support my proposal for a privately financed sewage treatment company on Merseyside. For my part, I regard the cleaning up of the Mersey as being exactly the kind of general environmental boost the area needs, and I am only sorry that you think the objections you raise are sufficient to justify abandoning the idea of proceeding as I had envisaged.

It seems to me that we have a choice. Either we could go ahead and approach the prospective members of a consortium, to see what their reactions are, so that we have something definite before us other than merely the exploratory work of our own officials, and decide later whether to go ahead that way. Alternatively, we could go ahead by asking NWWA to speed up their own programme, and give them an additional, and earmarked capital allocation for the purpose. I understand that NWWA reckoned they could accelerate their present £90m programme to be completed by 1991 instead of 1996, but I would like to see faster progress still and on a more ambitious scale on which the interceptor sewers would be built on both banks and improvements made to sewage treatment works at Wirral, Widnes, Warrington and Devyhulme, as well as the building of the Liverpool works. This would provide for the whole of the contents of the sewers now discharging into the estuary up to the tidal limit at Warrington. If we took the second course we would not know what extra allocation NWWA would need until they had told us what their faster timetable would be, but at this stage I would like your agreement to proceeding in one way or the other. There is a prize to be grasped here, and if orthodoxy has to be bent, it should be.

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

Yours ever

Michael

MICHAEL HESELTINE

The Rt Hon Leon Brittan QC MP

Regional Pol
cc JD
Prime Minister
(2)

MCS 16/4

Treasury Chambers, Parliament Street, SW1P 3AG

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

16 April 1982

Dear Michael.

PRIVATE FINANCE FOR THE WATER INDUSTRY: SEWAGE TREATMENT IN MERSEYSIDE

I wrote to you on 24 November about your proposal for a privately financed sewage treatment company in Merseyside. We agreed that officials should consider "whether it is possible to devise an acceptable basis" for the scheme.

A great deal of constructive work has now been done. It is good to see such an imaginative idea being thoroughly explored. I am also grateful for the way your officials have included mine in their discussions with the North West Water Authority. This has helped me to keep in touch with the work, and to make an informed assessment.

I really do wish I could now write you an enthusiastic letter. But I am afraid that, the more I see of the exploratory work, the more difficult I find it to see how the introduction of private finance could offer efficiency savings sufficient to offset its extra cost. I thought it only right to tell you my doubts sooner rather than later.

Of the options being considered, the most promising seems to be the proposal that a new sewage treatment plant might be privately built on reclaimed land at Sandon Docks. This could be privately owned and operated; and with a new interceptor sewer - which might have to be publicly financed - could cure the most unsightly pollution of the Mersey.

As I understand it, the North West Water Authority is already hoping to build a treatment plant at Sandon as part of its regular programme, though the earliest possible starting date is some years away. The principal question for us is whether private finance could do better than the water authority, by letting market forces go to work. The doubts I have are not ones of principle, but of practice.

So far as I can see, there is little scope for private finance to bring savings in constructing the plant. It would be built by private contractors, after competitive tender, whether owned by the public or the private sector; and it would have to meet the same minimum standards in either case.

Similarly, there would be little scope for the private sector to remove the practical obstacles to progress faster than the water authority. The immediate problem is to negotiate for the land with the Mersey Docks and Harbour Company and to negotiate for planning permission with the local authority. If anything, it is the water authority which has the advantage here: if it came to the crunch, the water authority could use its compulsory purchase powers to acquire the land.

If the treatment plant were built, there would be little scope for savings from competition. No one is likely to build a rival: so the Sandon plant would have a captive market. It is bound to be a monopoly whoever owns it.

There would also be little scope for labour savings in running it. The proposed treatment plant would be no more then a group of covered concrete settling tanks, requiring very few staff to look after them.

Finally, there would be little scope for getting the public sector out of the project, whoever were to own the treatment plant. The Regional Water Authority would be obliged to set minimum standards for design and meintenance to ensure satisfactory performance. It would have no option but to use the treatment works once they were built - effectively providing the plant with a guaranteed income. It would have effectively to underwrite the project: if the company failed to comply with discharge standards, went bankrupt or went into voluntary liquidation, the water authority would have to take over the plant. In short, there is no way the public sector can pass the buck.

For all these reasons, I am afraid I canot see how private finance can really help us - and this is on the most promising of the options. On the more ambitious alternatives, the difficulties multiply.

There are other problems too. One would be to establish whether the water authority would have to incur conventional public expenditure costs in support of the project. Another would be to determine whether the apparently private element could in fact be properly regarded as private, in view of the likely contractual relations between the water authority and the sewage treatment company. But these problems will only arise if we suceed in identifying genuine efficiency gains to make the more expensive private finance worthwhile. For the practical reasons I have given, I cannot see how we could do so.

If I could see my way through this, I should be all for taking the work further. But with the best will in the world, it is hard to believe that any amount of research could do the trick. No one regrets this more than I do. But I think, reluctantly, that it would be better to stop now than to disappoint ourselves later.

I am sending copies of this letter to the Prime Minister and to Patrick Jenkin, who saw the previous correspondence.

LEON BRITTAN

10 DOWNING STREET

From the Private Secretary

8 April 1982

URBAN DEVELOPMENT GRANT

For the record, I write to confirm that the Prime Minister saw your Secretary of State's letter to the Chancellor of 29 March, and the Chief Secretary's reply of 1 April, about a Parliamentary Statement. The Prime Minister was at the time content that a statement should go ahead on the basis indicated by the Chief Secretary, but this has now been rescheduled for an unspecified date after the Easter recess.

I am sending copies of this letter to Muir Russell (Scottish Office), Adam Peat (Welsh Office), Stephen Boys-Smith (Northern Ireland Office), Jonathan Spencer (Department of Industry), David Heyhoe (Lord President's Office), Murdo Maclean (Chief Whip's Office) and David Wright (Cabinet Office).

M. A. PATTISON

David Edmonds, Esq.,
Department of the Environment.

Prime Minister (2)

MCS 2/4

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

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

2 April 1982

URBAN DEVELOPMENT GRANT

Thank you for sending me a copy of your letter of 29 March to the Chancellor.

I am content with the text of the announcement which you propose to make. Since Nicholas Edwards has suggested the addition of a paragraph referring to his intention to introduce a similar scheme for Wales, the position in Scotland needs to be covered also. But I am not sure whether I shall necessarily want to have a UDG scheme similar to yours, since much the same effect is already being achieved through different measures. What I propose is a paragraph on these lines

> "In Scotland my Rt Hon Friend the Secretary of State is considering ways of developing the urban programme there, and the work of the Scottish Development Agency, in order to bring about a similar increase in private sector participation in the renewal of inner urban areas."

The detailed guidance which needs to be prepared, and which is mentioned in the statement will be important, both for the success of your new scheme, and for its relationship with our other policies. I am particularly concerned about the possible impact of UDG on regional and industrial measures. There will need to be consultation between departments about the content of the detailed guidance, and taking into account these relationships.

I am sending copies of this letter to the Prime Minister, Geoffrey Howe, Jim Prior, Patrick Jenkin, Francis Pym, Nicholas Edwards, Michael Jopling and to Sir Robert Armstrong.

Approved by the Secretary of State and signed in his absence

CF/ pps pr
MCS

Prime Minister

Mr Heseltine's statement (Flag A) is now scheduled for Wednesday 7 April.

Agree to him making it?

MCS 1/4

Yes

Treasury Chambers, Parliament Street, SW1P 3AG

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

1 April 1982

Dear Secretary of State,

URBAN DEVELOPMENT GRANT

Thank you for your letter to the Chancellor of 29 March.

Like you, I am all in favour of following up the reference in the budget speech as quickly as possible. I agree that we should give local government and the private sector time to work up schemes which might be eligible for urban development grants.

However, I am not myself convinced that we are ready for such an early announcement. I fear that it would only lead people to ask for the "detailed criteria" and "detailed guidance notes" which you propose to say will be available "shortly". With the best will in the world, it is bound to take a little time to draft and agree these.

I understand that George Younger and Nicholas Edwards are ready to answer questions about the implications for Scotland and Wales before an announcement is made for England.

If you are certain that an early statement is needed, and if colleagues are content, then of course I will not stand in your way.

I see that your draft says that "Grant will normally be at the rate of 75% of the local authority's stake in a project, as with the urban programme". I think it would be as well, for the avoidance of doubt, to insert the word "maximum" before "rate" in this sentence. I naturally also welcome the fact that the draft repeats that "up to £70 million" will be available in 1983-84, which is of course the formula we agreed, recorded in my letter of 3 March.

If you plan any supplementary publicity when you make your statement, I should be grateful if you would give me a chance to comment on the terms of it.

Copies of this letter go to the recipients of yours.

yours sincerely

LEON BRITTAN

PP (approved by the Chief Secretary & signed in his absence)

1 MAP
2 MCS

2pp

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

✓ MAP

1st April 1982

Dear Michael

In your letter of 29 March to the Chancellor of the Exchequer you sought approval for an oral statement to the House on the proposed Urban Development Grant Scheme. (I understand that you now hope to make the statement next week).

You recognised that I might wish to introduce a similar scheme in Wales and, of course, as you now know, I do so intend, although the detailed arrangements will not necessarily be exactly the same as in England. In this connection I would want my officials to be closely involved in the forthcoming discussions with the Treasury on the detailed guidelines under which the scheme will operate.

For the moment, I should be grateful if you could make the following amendments and additions to your statement:

Seventh paragraph: first sentence to read

"In England, the invitation will initially be extended .....1978"

Additional paragraph "My Rt Hon Friend the Secretary of State for Wales proposes to introduce a similar scheme for Wales and will shortly be announcing further details and guidelines".

I am copying this letter to the Prime Minister, Geoffrey Howe, George Younger, Jim Prior, Patrick Jenkin, Francis Pym, Michael Jopling and Sir Robert Armstrong.

Yours ever

Nick

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

Wimbourne by D/E MCS 30/3

Prime Minister

Agree, subject to the agreement of colleagues, to an oral statement as proposed?

MCS 30/3

(1)

Reg Pd

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

29 March 1982

Dear Chancellor of the Exchequer

URBAN DEVELOPMENT GRANT

Your Budget statement said that up to £70m of the provision for the Urban Programme and for derelict land reclamation in 1983/4 would be earmarked for projects that encourage participation by the private sector. I am now writing to outline my proposals designed to lever private sector investment into our inner city areas.

The money indicated will be available to local authorities with the most pressing urban problems. These authorities will be invited to work up with the private sector a wide range of development projects which involve substantial private funds but which require some kind of public input to enable them to go forward. Projects will be submitted for grant on a competitive bidding basis. The bids will be assessed by a high powered team within my Department which will include relevant private sector expertise. I shall need to state publicly the criteria on which my decision on grant would be based and these will need to be agreed between us; but I would expect them to include the number of jobs created, the impact on the area and the amount of private funds attracted.

The scheme does not involve any new powers not available within the Urban Programme. It will be available to the same 43 designated districts in England in which UP resources are concentrated. For the purposes of the local authority capital controls system, it will be no different from the UP. Although I expect the grant to be awarded to the larger redevelopment projects, the grant arrangements will be the same as those operated under the UP, that is, a central government grant of 75% of the local authority's stake in a project. The scheme will be run under existing legislation powers. The essential difference is that it will only be available for schemes where the public sector input levers private sector investment. In other words the urban programme is being used to stimulate significant private expenditure.

My officials have already discussed and agreed these principles with yours. There are of course some important outstanding points - for example on the exact form in which local authorities put in their share, the cut-off point for schemes and arrangements for clawback - which we will need to work up in thenext few weeks but I am able to announce the basic features of the scheme now. It is essential that I do so well before Easter because to ensure that the scheme comes into operation successfully at the beginning of the next financial year I need bids to be in by this September. This leaves local authorities and developers very little time to work up their projects.

It is also very important that my scheme attracts maximum publicity if it is to succeed in levering substantial private sector investment. I would like at the same time to announce the success of my recent derelict land grant initiative. I therefore suggest that I should make an oral statement to the House after Questions on Wednesday 31 March. I am therefore seeking your approval by close of play on Tuesday 30 March.

I recognise that colleagues may wish to introduce similar schemes in Scotland, Wales and Northern Ireland. I am copying this letter to the Prime Minister, George Younger, Nicholas Edwards and James Prior, and to Patrick Jenkin, Francis Pym, Michael Jopling and Sir Robert Armstrong.

Yours ever

MICHAEL HESELTINE

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

Rt Hon Sir Geoffrey Howe QC MP

2F

DRAFT STATEMENT BY THE SECRETARY OF STATE FOR THE ENVIRONMENT

URBAN DEVELOPMENT GRANT (UDG)

In December I announced an experiment with the derelict land programme to boost development by the private sector. I invited bids for a limited part of the derelict land programme involving private sector commitment to develop land reclaimed at public expense.

The first indications are that for an expenditure of £ m of public money £ m of private investment can be expected.

Based on these experiments I have decided to take a further step in 1983/4. I can now announce details of this initiative which will complement this programme in attracting private sector investment into inner city areas and which was forshadowed in the Budget speech.

I propose to invite local authorities to work up projects with private interests and to submit them to my Department. To encourage the most imaginative projects to come forward I am placing no restrictions on the type of project that can be submitted for grant. They may be industrial, commercial or housing schemes, or a combination. The scheme will be competitive against the total resources available.

Bids will be assessed by an expert team, including relevant private sector expertise in my Department. I intend to ensure that the team will be able to negotiate direct with the parties involved and with financial institutions to secure the maximum possible leverage of private sector investment by public funds.

Grant will normally be at the rate of 75% of the local authority's stake in a project, as with the Urban Programme. I will be looking for projects which, amongst other things, will make a significant impact on the areas concerned, and which will constitute to improving the local economic base. Detailed criteria will be announced shortly.

The invitation will initially be extended to the 43 districts in England designated under the Inner Urban Areas Act 1978. I am determined to ensure that it has sufficient financial muscle to achieve its objectives. I have therefore earmarked up to £70m of the provision to be made for the Urban Programme and for derelict land reclamation in 1983/4 for projects involving participation by the private sector.

In announcing the scheme now I am inviting projects for the initial round of bidding to be submitted by September, to allow time for ideas to be worked up - for a start in 1983/4. Detailed guidance notes will be issued shortly, following discussion with local authority associations and developers themselves.

I recognise that a quick decision is often critically important to developers and investors institutions. I therefore intend to give a decision on grant within 3 months of the closing date for bids.

I am confident that this proposal will be a further stimulus to the economic regeneration of our inner cities. I would like to pay tribute to the work of the Financial Institutions Group in bringing the scheme forward.

MR. SCHOLAR

THE BUDGET/INDUSTRIAL DEVELOPMENT AND INNER CITIES

1. The Secretary of State for the Environment quotes with approval a letter he has received from Keith Hampson. The substance of Hampson's letter is that industrialists are not investing enough in factory building. He wants to encourage more of it to "help the construction industry" and "improve future industrial performance". He believes it is primarily a "cash problem". And he suggests that the cost of factory improvement should be deferred by some Government grant or other.

2. He suggests a domestic ECGD. No doubt he rightly thinks that if the Government would guarantee repayments of loan and interest, then the interest rate to the borrower would be considerably lower. Similarly, he suggests a Government gurarantee for a lease-back system, with presumably the same end in view.

3. This by any other name is a subsidy, and we should call it that. In the context of the heading of his letter he clearly wants subsidies for factory building in inner cities. I should have thought that we have experienced enough disappointments with subsidising industry to build in areas where they do not wish to build. Furthermore it is by no means clear that new industrial plant is what inner cities need. Yet ~~another~~ more subsidis~~ed~~ing for capital is hardly the sort of medicine one would prescribe for what are thought to be chronic levels of unemployment of labour.

4. There has been extensive borrowing by industry which they have used to finance what they believe is their best capital programme. Similarly, there are a large number of financial instruments that are at their disposal, such as lease-back arrangements. But more than that, the new Budget will, over time, enable growth industries, and one would suspect that growth industries are going to be the main purchasers of industrial buildings, to obtain capital by rights issues without the capital appreciation of such equities being taxed away by an inflationary CGT.

5. I can see little or no merit in Mr. Hampson's half-baked ideas.

AW

16 March 1982

ALAN WALTERS

Regional Pol.

P.0681

PRIME MINISTER

Medway Towns and Chatham Dockyard Closure

(E(82)28 and 30)

BACKGROUND

In E(82)28 the Secretary of State for the Environment invites the Committee to agree in principle to the establishment of an Urban Development Corporation (UDC) to deal with the problems of the Medway Towns, Rochester and Gillingham. In E(82)30 the Central Policy Review Staff endorse the need for action to help this area but recommend against the setting up of a UDC.

2. This issue comes to the Committee for discussion because the Secretary of State for the Environment has failed to win any support in correspondence for his proposal. There is no dispute over the need to take action to develop a strategy for this area in which unemployment could rise to over 20 per cent by 1984 following the closure of the Chatham Dockyard. The difference is over the arrangements. Should the local authorities be asked if they want a UDC? Or would it be better to encourage an informal grouping of the local authorities under an outside chairman?

3. The Secretary of State for the Environment is not convinced that an informal joint committee would effectively override the differences between the priorities of the various local authorities concerned. He thinks a UDC would provide a strong coordinating authority with oversight over the deployment of central government funds made available to the area (the level of those funds is a separate matter). It would be on the model of the two UDCs recently set up for the London Dockland and in Merseyside. As explained in paragraph 10 of E(82)28, a two-clause Bill would be necessary and, subsequently, a hybrid statutory instrument.

4. The Secretary of State for Industry has argued, most recently in his letter of 2 March to the Secretary of State for the Environment, that the

right course is for the local authorities to be encouraged to work together; and he is trying to persuade Mr Robin Leigh Pemberton to take a leading role in coordinating local initiatives in the Medway Towns. The Secretary of State for Industry has also suggested the setting up of an inter-departmental task force to ensure that the various government departments concerned are working in concert to help to support the local effort and to give the local authorities a focal point within Whitehall for discussion of their problems. He would like his Department to take the lead in this. In correspondence both the Chief Secretary, Treasury and the Secretary of State for Employment have supported the Secretary of State for Industry in arguing against the setting up of a UDC.

MAIN ISSUES

5. Since there is already a long list of Bills which cannot be accommodated in the 1982-83 Session the Committee will need to be convinced that there is a very powerful policy case for asking QL Committee to try to find room for the necessary Bill to set up a UDC for Medway Towns. The Chancellor of the Duchy of Lancaster has commented in correspondence that the London Docklands and Merseyside Orders involved considerable hybrid instrument procedures which placed a substantial burden on the resources of the House of Lords; she would want the earliest possible warning if the proposed UDC had the same sort of implications.

6. Apart from the problems of finding time in the legislative programme, the main objections to a new UDC, which the Committee will need to consider, are:

(i) A number of other areas, which have high unemployment and are also affected by direct or indirect Government action (eg. steel and shipbuilding areas) would want UDCs;

(ii) the success, or otherwise, of the first two UDCs has still to be established;

(iii) a UDC for Medway Towns could weaken the initiative of the local authorities and cause re-entry problems later.

7. If the Committee were persuaded that the particular circumstances of the Medway Towns justified a UDC, and that the repercussions could be contained, it would then be for QL Committee to consider, and advise the Cabinet on the consequences of accommodating the proposed Bill in the 1982-83 programme.

8. If, on the other hand, the Committee decide that it is better to follow the course proposed by the Secretary of State for Industry, they will need to decide whether he should take the lead at Ministerial level and his Department at official level. Since the Department of Industry is responsible both for regional policy and for the main programmes of industrial assistance, this would seem appropriate. The official group would consider, among other things, the questions raised by the CPRS in paragraph 10 of E(82)30.

9. The CPRS suggest, in their paragraph 9, that the Government should channel some extra resources into the area. The case for additional resources - allocated either from the Contingency Reserve or re-allocated from existing programmes - is something which the Ministers concerned can best consider on the basis of specific proposals which would need to be put to the Chief Secretary, Treasury.

HANDLING

10. After the Secretary of State for the Environment has introduced his paper the Committee will wish to hear the advice of the Secretary of State for Industry. You might then call on Mr Ibbs, the Chief Secretary and the Secretaries of State for Defence and for Employment to comment on the policy issues; the Secretary of State for Wales and Mr Fletcher (representing the Secretary of State for Scotland) are primarily concerned with possible repercussions on regional policy generally. The Home Secretary, the Lord President of the Council and the Chancellor of the Duchy of Lancaster will have views on the problems of legislation.

CONCLUSIONS

11. If the Committee were to support the proposal for a UDC for the Medway Towns you will wish:-

(i) To invite the Home Secretary to arrange for QL to advise on the possibilities for accommodating the necessary Bill in the 1982-83 Session and the consequences of doing so.

(ii) To invite the Secretary of State for the Environment to consult the local authorities concerned, after it has been established whether legislation is practicable, on their views on the desirability of a UDC and the area to be covered.

12. If the Committee decide against a UDC you will wish to invite the Secretary of State for Industry (or another Minister if the Committee so decide) to take the lead in further work at Ministerial level and to arrange for his Department to lead at official level.

13. Whatever the institutional arrangements approved, you will wish to instruct that questions of additional resources, and re-allocation of present resources, should be settled by the Ministers concerned in consultation with the Chief Secretary, Treasury.

PLG

P L GREGSON
Cabinet Office
15 March, 1982

TOP COPY ON
Post + Telcomm's
file: Future of Post
Office, finances
Pt 3. (1e para 2)

Prime Minister

I regret that because of unavoidable commitments in Northern Ireland on Tuesday 16 March I shall not be able to attend our meeting of 'E' Committee. I am therefore writing to let you know my comments on the two items for discussion.

2. On the question of Future Policy on Telecommunications, I agree with the proposals made by the Secretary of State for Industry with regard to the conversion of BT into a Companies Act company (BT Ltd) and for the sale of new shares as a step towards privatisation; the licensing of local cable systems run by the private sector in partnership with BT carrying both telecommunications and television services; and the associated proposals relating to Giro. I do, however, feel that careful consideration needs to be given to the CPRS argument on the best way to achieve full and fair competition. In general, therefore, I agree with the CPRS recommendations although I am anxious that the procedure put forward by CPRS should not be allowed to become too protracted. It seems to me absolutely vital that over the next year or so, we should keep up the momentum which we have now established as a Government clearly committed to encouraging actively the introduction and application of new information technology. Necessary legislation should be drafted.

3. On the question of the Medway Towns and Chatham Dockyard Closure, I agree with the the Secretary of State for the Environment that the establishment of an Urban Development Corporation would be the best way to proceed. I share his scepticism about the effectiveness of a joint committee of the local authorities. The CPRS emphasise the seriousness of the economic problems in the West Midlands and other assisted areas where we do not propose that UDCs should be established, and also point out the severe and intractable problems over many decades of the two

/...

existing UDC areas, the London and Liverpool docklands. But I do not believe that we should underestimate the problems of the Medway Towns and the key fact that these will now be exacerbated as a direct result of a decision by the Government. In considering how best we can help the Medway Towns in an effective way, we need to bear in mind our responsibility as a major employer and also clearly recognise the very important role which the naval dockyard has played in the local economy of the area for generations. Both on grounds of effectiveness and also as a clear recognition of our special responsibility in this area, I therefore feel that the establishment of a new UDC is warranted.

4. I am copying this minute to other members of 'E' Committee and to Sir Robert Armstrong.

J P

15 March 1982

(Signed on behalf of of the Secretary of State in his absence)

BGG

CONFIDENTIAL

Prime Minister

Keith Hampson is, in effect, proposing a subsidy (see Alan Walter's note attached). Shall I write discouragingly, on the lines of Alan's note if the Chancellor does not squash the proposal?

MCS 16/3

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/11048/82

Your ref:

Dear Geoffrey

Keith Hampson has written to me setting out some proposals for stimulating factory improvement. A copy of his letter is enclosed.

I have had no time to consider his proposals fully, but I should like to commend the general concept most strongly. As you know from my letter of 5 February I believe that we should be giving priority to boosting the construction industry, and an incentive of this kind would give it a welcome fillip. Keith's proposals are based on the same sort of premise as Chancellor Schmidt's scheme, which I mentioned in my letter, of giving 110% tax allowances for capital investment. I can see advantage in an arrangement of this kind for a limited period of 2-3 years whereby Government paid the loan charges which would then be repayable over a fixed period.

The proposals are not altogether dissimilar from Industry's existing loan guarantee scheme, and I am therefore also writing to Patrick Jenkin to see whether our officials can work up a more detailed arrangement which we could put to you later on.

I am copying this to the Prime Minister, Patrick Jenkin and Leon Brittan.

Yours ever

MICHAEL HESELTINE

The Rt Hon Sir Geoffrey Howe QC MP

CONFIDENTIAL

From Dr. Keith Hampson, M.P.

cc SofS / Mose
N Ridley N Hein
N Balls
urgent advice, please

HOUSE OF COMMONS
LONDON SW1A 0AA

Michael,

The Budget/Industrial Development and Inner Cities

Much of Britain's industrial plant is out-of-date. We have consistently provided grants for machinery, but stimulating the improvement of factories could both help the construction industry and future industrial performance.

A key problem, however, is the unwillingness, in a recession, of companies to respond to Government grants because of the cash problems this would cause. The trick must be to both offer the company an incentive to modernise, while at the same time deferring the cost, so that payment is made when the company has the prospect of benefitting from its improved performance.

Central to this must be the role of the banks and financial institutions. The obvious model, I suggest, would be a domestic ECGD: the Government would provide guarantees to banks which provided the capital for factory improvement on the basis of delayed repayment.

An alternative would be a lease-back system; with a Government guarantee, a financial institution could buy the property, thereby providing cash which would help the management operate and expand the firm, while reconstruction of the plant would not only up-date it from the point of view of performance, but also increase the value of the investment the bank had made.

Keith

KEITH HAMPSON

8th February, 1982

CONFIDENTIAL

Prime Minister (2)

MCS 12/3

Key Pol

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/11659/82

Your ref:

12 March 1982

Dear Secretary of State

Thank you for your letter of 26 February.

As you say, I believe it is important to take effective measures in the Medway area to demonstrate the Government's concern - though I believe that the establishment of a UDC is much more than a public gesture.

I accept what you say about pressure from other areas. But I believe that there is much more of a distinction than you suggest between areas affected by the direct effects of government policy, such as the Medway area, and others. I do not suggest that an Urban Development Corporation is an apt solution for every area with economic problems, and I can certainly assure you that I do not have it in mind to establish Urban Development Corporations throughout England and Wales. On the other hand, I would not rule out the possibility that there may be other cases where a UDC would be the right thing to go for: but the Medway case seems to be an urgent and important one where the Government has a special responsibility, and I believe that we can resist its use as a precedent by others.

I am copying this as before.

Yours sincerely

D. Jones

p.p. MICHAEL HESELTINE

Approved by the Secretary of State and signed in his absence.

Rt Hon Norman Tebbit MP

JH 358

Prime Minister

(2)

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

MCS 12/3

Secretary of State for Industry

12 March 1982

The Rt Hon John Nott MP
Secretary of State for Defence
Ministry of Defence
Whitehall
London SW1

MT

Dear John,

Thank you for your letter of 12 February supporting the approach on the Medway Towns problem outlined in my letters of 23 December and 3 February to Michael Heseltine. I should like to make one or two comments on the points you raised and also to bring you up to date on recent developments.

2 On the question of local leadership in the Medway Towns I have had a meeting with Robin Leigh-Pemberton to discuss the possibility of his providing such leadership. He seems to have a clear appreciation of the problems involved, but has asked for time to reflect on the matter and to consult with the contacts in the area. I should be hearing from him shortly.

3 As regards co-ordination in Whitehall - a point of some concern to the local authorities - I agree with your suggestion that informal meetings of Ministers would be valuable. You will have seen from my letter of 2 March to Michael Heseltine that I have suggested that at official level something along the lines of the Merseyside Task Force may be needed to provide clear and effective co-ordination. It would offer local authorities a single contact point. It would also minimise the risk of "buck passing" between Government Departments in areas which might be the concern of more than one Department. Such a group of officials, under Department of Industry leadership, could report regularly to the meetings of Ministers you proposed in your letter.

4 The recent correspondence between ourselves and Michael Heseltine about Chatham dockyard clearly shows that we are agreed on the need to establish effective machinery for dealing with the problems of the Medway Towns. It is the precise nature of this machinery which needs to be agreed, which I hope we will be able to do at next Tuesday's "E" Committee.

5 I should also like to mention Mr Sieff's letter about the

initiatives in the Portsmouth and Chatham areas by Business in the Community. These initiatives should make a valuable contribution to regenerating the local economies, and I am sure that it is important that we are seen to be giving them every encouragement. You may like to know that John MacGregor is hoping to launch officially the Chatham Enterprise Agency in early April.

6 I am sending a copy of this letter to the recipients of yours.

Yours ever

Patrick

JFF145

Regional Policy.

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

2 March 1982

Prime Minister 2

Mr Jenkin does not agree with Mr Heseltine's suggestion that we should set up a UDC to cover the Medway Towns (which would need legislation). He feels instead that his Department should take the lead in Government and set up something on the lines of the Merseyside Task Force.

WR 4/3

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

Dear Michael,

MEDWAY TOWNS

Thank you for your letter of 12 February in which you propose the formation of an Urban Development Corporation for the Medway Towns area.

2 Since you first mentioned the matter to me, I have been brooding on your suggestion but I feel bound to question whether it is indeed the right solution for the area. Certainly, there is a need to develop an overall strategy for the area, and certainly, the initial signs were that the local authorities were likely to be at loggerheads. More recently however I am gaining the impression that faced with the need to respond positively and constructively to the closure both of the Isle of Grain Refinery and of the dockyard, the local authorities are now making very considerable efforts to work together. What they need is leadership and expertise in what is ultimately a promotional effort. They need a focus for their own efforts and they want to feel that all the Government Departments involved - Defence, Industry, Employment, Environment and Transport - are working together with a common purpose to help them through the difficult years ahead.

3 So far as the first requirement is concerned - local leadership and a focus for their efforts - I had a meeting with Robin Leigh Pemberton on 24 February to discuss with him, in the light of your comments about him, the possibility of his playing a leading role in coordinating local initiatives in the Medway Towns.

4 His immediate response was thoughtful and well informed. He already has a clear appreciation of some of the problems with which he would be concerned if he accepted the invitation to assist the local effort. Quite rightly he has asked for time to

/reflect ...

reflect on the matter and to consult with contacts at local level. I expect to receive his answer quite soon.

5 On their second requirement - their wish to feel that Government Departments are working in concert to help and support the local effort - I believe that we may want to establish something along the lines of your Merseyside Task Force. In view of the fact that the real requirement is promotional, I would be prepared to accept that this Task Force should be under Department of Industry leadership. It does seem to me very important that we should reduce to the absolute minimum the chances of Departments passing the buck and so generating frustration and anger. The local authority coordinating body needs to be able to knock at "one front door" in their approaches to Government and I think we owe it to them to make that a reality.

6 All this seems to me to be very different from the conditions which justified setting up the two existing UDCs in London Docklands on Merseyside. These were created quite deliberately to take the development of two particularly rundown areas out of the hands of ineffectual and warring local authorities and under the wing of Central Government. Where such action has to be taken we have to face the consequences. First it very substantially weakens the role of local government in the area; second, it leaves us with a future re-entry problem when the area reverts to local authority control. UDCs may be a solution if it is believed that the only way to solve an areas problems is to take it out of the hands of local government and to set up an autonomous and, it has to be said, largely unaccountable quango. But if we were to do that for the Medway Towns, where would it stop? There are many areas that could point to comparable problems; are we to face demands for UDCs there too?

7 Then there is the question of money. I am sure that because the Government is quite rightly seen as having created the problem on the Medway by the closure of the Naval Dockyard, the Government must be prepared to help to some extent with providing additional resources (eg for roads). But I believe this could be handled within the existing structure and arrangements. Within a UDC, there would surely need to be substantial backing if it is to achieve anything. Without mentioning sums, I think we in this Department could point to much more deserving cases for significant sums of money, for instance, on the Tyne and Wear, in West Cumbria and perhaps Glasgow - but we doubt whether any of these areas would want a UDC.

8 For all these reasons it does seem to me that the proposal to establish a UDC in the Medway Towns is one which would require a stronger justification than seems to me to be present. We do need however to get ahead with putting our own house in order and I am asking my officials to follow this up with officials in other relevant Departments.

9 Copies of this letter go to recipients of yours.

Yours ever

Patrick

Regional Pol

CP

Pl b/f when we have Mr Jenkin's reply

MCS 2/3

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

2 March 1982

Dear Patrick

MEDWAY TOWNS: UDC

I wrote to you on 12 February about this. Since then several colleagues have briefly commented on my proposal for a UDC, although you are, I think, yet to respond yourself.

We are both agreed on the urgency of reaching decisions about next steps on Chatham. The appalling unemployment prospects facing the Medway area over the next few years, with the Dockyard closure central to these problems, mean, moreover, that there is a political imperative here. We cannot afford to let matters drift.

I gather you are shortly to depart to the USA for several weeks. This is a matter which affects a number of colleagues. In the circumstances, it seems to me that the most appropriate way forward is for colleagues to discuss this matter urgently in E Committee on the basis of my earlier letter. My feeling is that we should at least discuss the principle of the proposal quickly so that we can make progress.

I am, therefore, copying this letter to the Prime Minister, colleagues in E Committee, the Lord President, the Secretaries of State for Scotland and Wales and to Sir Robert Armstrong.

Yours ever

MICHAEL HESELTINE

Rt Hon Patrick Jenkin MP

SP

CONFIDENTIAL

Regional Policy.

NBPM

Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400 GTN 213

Switchboard 01-213 3000

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

26 February 1982

Dear Michael.

MEDWAY TOWNS

Thank you for sending me a copy of your letter to Patrick Jenkin of 12 February proposing an Urban Development Corporation for the Medway Towns.

From what I am told by my officials the establishment of the London UDC has had a powerful effect on morale in the area and on the sense of purpose of the local authorities, although from other local sources I hear a distinctly different story. Nonetheless I quite understand that you would want to make some public gesture to indicate your concern at the problems of the area and I fully agree that it is no use relying upon local government which has been given the wrong structure and is bound to be ineffective.

I have one major reservation. I accept that the special feature of the Medway Towns is the fact that the sharp increase in unemployment expected there in the next couple of years will be seen as the direct result of the Government's decision to close Chatham Dockyard. But MPs, local authorities and others in areas where there have been steel or shipbuilding closures, for example, are unlikely to recognise the distinction between the direct and indirect results of Government policy. We must therefore expect those principally concerned with areas of high unemployment, some far higher than the Medway towns, to redouble their efforts to secure additional aid, either in the form of UDCs, enhanced assisted area status or otherwise if Chatham is singled out in this way. I wonder if you have yet decided how to resist such pressures or if you have it in mind to establish a number of Urban Development Corporations throughout England and Wales?

I am copying this letter to those to whom you sent yours.

Yours
Norman

JH 310

CONFIDENTIAL

2.

2 Mr's
Regional Pol

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

24 February 1982

The Rt Hon Leon Brittan QC MP
Chief Secretary
Treasury
Parliament Street
London SW1

Prime Minister

24 ii

Dear Chief Secretary

REGIONAL DEVELOPMENT GRANTS

Thank you for your letter of 22 February.

2 I agree that regional incentives for large capital-intensive projects need to be made more cost-effective and this will be tackled in any longer term review of regional policy.

3 I appreciate that the estimates for the Department's programme for 1983-84 and 1985-86 must remain at the level agreed by the Cabinet. But as things are the reduced figures are unlikely to be sufficient and the possibility of a supplementary for 1982-83 cannot be ruled out.

4 Turning now to your proposals for ring-fence expenditure, I must confirm that it is not practicable to exclude from grant expenditure qualifying for PRT relief. But I agree something has to be done to reduce the incentives and I would be happy for officials to discuss this further.

5 I note what you say about Mossmorran. However, we concluded earlier that any reduction in RDGs on the fractionator ran the risk of damaging prospects for the cracker. Your proposal in effect could mean that RDGs were not worth claiming in respect of the fractionator. I understand that a considerable part of the expenditure has yet to be committed and without any transitional provisions Shell/Esso could be badly hit. In view of the risks involved, I should prefer some transitional relief for the Mossmorran fractionator especially as we know of no other cases that would benefit. If no transition were allowed and the possibility of offsetting selective assistance had to be considered, the tax problem would come up again because SFA is taxable.

6 I appreciate the need to move quickly on this, but I would ask for a little time so that officials from the interested Departments can meet to guage the impact of your proposals, particularly on the Mossmorran project where they will need also to assess the risks involved.

7 I am copying this letter to the Prime Minister, the Secretaries of State for Scotland, Wales and Energy and to Sir Robert Armstrong and Robin Ibbs.

Yours sincerely

Richard Ryder

pp PATRICK JENKIN
(approved by the Secretary of State and signed in his absence)

3.

Prime Minister.

24/2

Treasury Chambers, Parliament Street, SW1P 3AG

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

MS

23 February 1982

Dear Michael,

MEDWAY TOWNS: A NEW URBAN DEVELOPMENT CORPORATION

You copied to me your letter of 12 February to Patrick Jenkin, suggesting that we set up a new Urban Development Corporation in the Medway area affected by the Chatham dockyard closure.

You will understand that I cannot take a view about this until I have been able to consider the financial implications in the normal way. No doubt you will be writing to me about this shortly and I have asked my officials to get in touch with yours. In the meantime, I must ask that nothing be said about the proposal to the local authorities or to anyone else outside the Government.

I should say, however, that my initial reaction to the proposal is that, irrespective of the undoubted problems of the Medway area, it is premature to start talking about setting up another UDC. The first two have scarcely got off the ground and we have had no real chance to see how effective they are as organisations.

I am copying this to members of E Committee, Francis Pym, George Younger, Nicholas Edwards and Michael Jopling.

Yours ever,

Leon

LEON BRITTAN

Pegrunil Development

Management and Personnel Office
Whitehall London SW1A 2AZ
Telephone 01-273 4400
GTN 273

Chancellor of the Duchy of Lancaster

23 February 1982

Helen Ghosh
Private Secretary to the Secretary of State
Department of the Environment
2 Marsham Street
LONDON SW1P 3EB

NBPM.
MW
24 ii

Dear Helen

MEDWAY TOWNS

Your Secretary of State copied to the Chancellor of the Duchy his letter to the Secretary of State for Industry of 11 February. I think they mean 12/2/82

Establishing an Urban Development Corporation would of course add to the number of executive non-departmental public bodies. However that would not be a prime consideration if it was clear that a UDC offered advantages in terms of effectiveness. Presumably your Secretary of State would want to set a (renewable) time limit upon the Corporation's existence.

A further point about a possible additional UDC concerns handling in the Lords. The London Docklands and Merseyside Orders involved considerable hybrid instrument procedures which placed a substantial and unexpected burden on the resources of the House. It would be desirable to have the earliest possible warning if the proposed UDC has the same sort of implications.

I am copying this letter to Private Secretaries to the recipients of Mr Heseltine's, and to Michael Pownall (Private Secretary to the Leader and Chief Whip (Lords)).

Yours sincerely

Douglas Board

D R H BOARD
Assistant Private Secretary

2.

cc AD
JV
AW

Regional Policy

Prime Minister.
A serious for the Treasury, I can explain.
AW
22.2.82

Treasury Chambers, Parliament Street, SW1P 3AG

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

22 February 1982

MT

Dear Patrick,

REGIONAL DEVELOPMENT GRANTS

I am writing to let you and colleagues know that I have decided not to press for the cuts in expenditure on RDGs which were agreed by Cabinet in connection with last year's survey. I continue to find it very disappointing that you and others have been unable to agree on a way to fulfill your commitments on finding the savings, especially since everyone seems to support the view that a considerable part of this expenditure is wasted on large capital-intensive projects providing very few jobs. This I feel is certainly something which must be tackled in any longer-term review of regional policy and regional incentives, but we shall in any event need to return to the issue at an early date.

The baseline for your programme for 1983-84 and 1984-85 will remain at the level agreed by Cabinet, including the £50 million saving on RDGs. If you cannot find alternative savings or reduced requirements you will have to put in a bid in next year's survey, which will of course be considered in the ordinary way. For 1982-83 I propose to leave your estimate at the level proposed, with the £30 million reduction. If later in the year it appears that expenditure on RDGs will exceed this estimate you will have to put in a supplementary: I shall not now press for administrative action, or for an increase in deferment.

Although I am, with reluctance, prepared not to press the case for any general savings on RDG there is one point on which we must act. You will recall from our discussions of Sullom Voe and Flotta last autumn that onshore oil and gas production facilities qualifying both for RDGs and for PRT and Corporation Tax relief can attract total exchequer support (tax relief plus RDG) well in excess of gross spending. Despite our decision on past expenditure, we were agreed that this should be stopped for the future (E(81)33rd meeting). Now that we are not proceeding with the proposals to exclude all large capital projects we need specific measures to deal with expenditure which falls within the oil tax "ring-fence".

The most straight-forward course would be to ensure that RDGs were never given in such cases. You yourself suggested last year that the scope of RDGs might be limited to exclude "oil terminals." If this could be done to exclude all future expenditure likely to qualify for PRT relief, that would seem to me to be the best answer. But I understand that officials have found difficulty in drawing a new line in exactly the right place, and perhaps you could confirm that that is so.

On that basis I am bound to propose legislation in this year's Finance Bill to net off RDGs against future expenditure for the purpose of relief against both PRT and "ring-fence" Corporation Tax. The position for past expenditure is bad enough (although it must be regarded as water under the bridge); but I do not see how we can allow the excessive allowances which arise from combining RDG and the tax allowances to continue in the future.

For the immediate future I believe that the only major project known to be involved is the Shell/Esso gas fractionater (not the cracker) at Mossmorran. I recognise the special position of the cracker there, but I do not favour any transitional provisions to let out RDGs on money not yet spent on the fractionater. We are already facing considerable criticism on our commitment to legislation on ethane valuation.

You will appreciate that the timetable for Finance Bill legislation is now very tight: I am afraid that I need definite confirmation by the middle of this week that tax legislation is needed to deal with this problem.

I am copying this letter to the Prime Minister, the Secretaries of State for Scotland, Wales and Energy and to Sir Robert Armstrong and Mr Ibbs.

Yours

Leon

LEON BRITTAN

LH

2

Req Pd

2 MARSHAM STREET
LONDON SW1P 3EB

Prime Minister.

N Heseltine is proposing the establishment of a UDC to cover the Medway Towns following the closure of Chatham Dockyard. He suggests, picking up an earlier proposal from N Jenkin, that Robin Leigh-Pemberton should chair the UDC. But amending legislation will be needed to set up a UDC in an area that is not a metropolitan district or a London borough.

Do Petrol

AW
17

My ref:

Your ref:

12 February 1982

MEDWAY TOWNS

I am sorry not to have been able to have replied before now to your letters of 23 December and 3 February but, as you know, I felt the need to consider a rather different approach and to look into the matter personally. I visited Chatham Dockyard myself on Wednesday and met representatives of the local authorities, with whom I had a useful discussion.

attached

Like you, I do not believe the local people can be expected to cope unaided with the extra loss of jobs which the Dockyard will bring, on top of the basic economic problems of the area. The question is what form of local organisation should be adopted to deal with these matters.

The authorities made it clear to me that they recognise the need to co-ordinate their activities, and that to achieve this they would be willing to set up some sort of joint committee and probably to delegate certain powers to it. They would be prepared to see the Chairman of such a committee drawn from outside, as you suggest, and would expect it to cover an area substantially greater than the Dockyards alone. While this is a constructive proposal and a move in the right direction, I do not think it goes far enough.

First, it would be very difficult for me to exempt from spending targets the revenue expenditure that the authorities would need to undertake. Those targets have to be based on principles applicable to all local authorities, and I could not alter them simply in favour of the Medway Towns, without facing charges of inconsistency from other authorities with at present high levels of unemployment. Again, I would be exposed to similar charges if I paid the Medway Authority's Urban Programme grant at anything beyond the normal 75%; yet to ask them to meet the remaining 25% would be to impose a further rates burden on the industrial and commercial firms in the area.

Secondly, and perhaps more important, the authorities are by no means united in their objectives. They disagree, for example, about the priority and location of the new roads which may be necessary for development: Rochester and Gillingham naturally each wish to favour their own industrial estates, while the county as highway authority has other priorities. They also have different views, for example, on the importance of the historic Dockyard and the need to spend money to preserve it. Given the divergence of interests and their history of local antagonism - despite recent valiant efforts to paper over the cracks - I think it likely that any joint committee would be largely ineffectual, able to agree only on the most non-controversial issues and unable to survive any substantial disagreement between its members.

Gillingham and Rochester do seem to agree that their existing industrial estates should be occupied before the Dockyard sites are developed (apart from development, probably on a minor scale, which is essentially dock - or water-related). They point out that major industrial development of the Dockyard would generate heavy traffic through the centres of Rochester or Gillingham, which are already congested. But some of the existing estates are said to require new roads, which the authorities cannot afford.

What clearly is needed is to develop an overall strategy for the area, which for this purpose might well need to include Gravesham and Swale as well. Relative timings and priorities would be a most important feature of this strategy, and an organisation with some authority will be necessary. My own view is that if we leave matters to a joint committee of local authorities, even with a Chairman of the calibre you suggest, in 2 or 3 years time little will have been seen to be achieved. But by 1984 the authorities claim that the current level of unemployment will have risen from 14% to 22%, as a direct consequence of the Government's decision as employer.

I think the best answer is that we should form an urban development corporation for the area, and that we should propose this to the local authorities without delay. This solution would overcome the problems of co-ordination and resources and could deal with the problems of the area in a coherent and comprehensive fashion, taking in the immediate problems of the Dockyard as part of the wider picture. We should get away from the antagonisms of local politics, committees and decision taking, and would gain all the advantages of a unified local planning authority replacing the existing two-tier structure. And we would be seen to make a real contribution to the regeneration of the area.

I would not wish to force a UDC down the throats of unwilling local authorities, but I think there is a real chance that they would accept it willingly.

From my experience of the East End of London, it is an illusion to believe that co-ordination committees of local government have the decisiveness and common purpose to tackle problems of the magnitude we face in the Medway Towns. It was, of course, largely for that reason that it was necessary to replace the Docklands Joint Committee, which has delegated powers, by the London Docklands Development Corporation.

I must point out however that if we wish to move in the direction I propose it would be necessary to delete Section 134(2) from the

Local Government, Planning and Land Act 1980, which restricts the power to establish UDC's to metropolitan districts and certain London Boroughs. A suitable legislative vehicle would have to be found, on which I should of course need to consult colleagues.

Going down this road would of course mean that it would be some months before an Urban Development Corporation could be set up. But this need not hold the local authorities back. If they were persuaded that a Corporation ultimately offered the best instrument then they could use the interval to set up a version of their proposed joint committee which could effectively pave the way for a UDC. Robin Leigh Pemberton could as you suggest be asked to play a leading role and thus be in place to be appointed as UDC Chairman with a Board membership which aptly reflected the interests of the local authorities as well as those of central government.

I am copying this to members of E Committee, Francis Pym, George Younger, Nicholas Edwards and Michael Jopling.

Yours ever

MICHAEL HESELTINE

The Rt Hon Patrick Jenkin MP

3F

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

3 February 1982

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

PSNL
RHM
PSLee
Miss Mueller
Mr Young
Mr Gardiner
Mr Dick
Mr Pearcey
Dir SERO (on file)

Dear Michael,

MEDWAY TOWNS: CO-ORDINATION OF LOCAL DEVELOPMENT EFFORTS BY A MAJOR INDUSTRIAL/COMMERCIAL FIGURE

You will remember that in my letter of 23 December I mentioned that a major industrialist should be invited to act as a focal point for local initiatives. I am anxious to approach a suitable candidate soon. There has been considerable local publicity for this proposal and I am sure we would all wish to avoid any suggestions of lack of urgency on our part.

2 Among the principal qualifications needed are first hand knowledge and direct experience of the awkward relationships between some of the local bodies. Certainly the nominee would have to be a person of national status and reputation in his particular field if he is to generate the sort of "clout" which will lead local interests to believe that they are likely to benefit from his assistance and interest. Acceptability to these interests, including the dockyard unions, is important. Easy access to the business/administrative network in North Kent and at County level will also be needed. Above all the person concerned must be willing to devote considerable effort to what could easily be a time-consuming and frustrating task.

3 Several names have been suggested to me. They include Geoffrey Robinson (Chairman, Medway Ports Authority), J E Pateman (Managing Director, Marconi Avionics, Rochester), J J Benn (Plant Managing Director, Reeds, Aylesford) and Clancy Scheuppert (Chief Executive, Sheerness Steel). But the person best qualified seems to be Mr Robin Leigh-Pemberton, the Chairman of the National Westminster Bank. He has been a member and Chairman of the Kent County Council. He has extensive industrial/commercial contacts in Kent and nationally. His brother, Jeremy, is Managing Director of a medium sized company at Maidstone and Chairman of the Regional CBI. Obviously as Chairman of the National Westminster Bank Mr Leigh-Pemberton is a national figure in his own sphere. Unofficial soundings suggest that he will be willing to take on the task.

4 Originally I suggested a leading industrial figure. However, Mr Leigh-Pemberton's position, experience, contacts and local knowledge make him a stronger candidate than any of the others I have mentioned. In addition, the National Westminster Bank will be represented on the Medway Enterprise Agency which is shortly to be formed. It is also possible that Mr Dallas MacKenzie, the BP Plant Managing Director at the Isle of Grain, who has been very active in the formation of the Enterprise Agency, may well be able to help Mr Leigh-Pemberton by giving day to day support at local level.

5 If you agree I will approach Mr Leigh-Pemberton and ask him to act in a coordinating role in the Medway Towns. Clearly it will be a matter for him and the local bodies to determine how and through what machinery they will need to operate. In that sense we will not be "appointing" him but merely asking him to offer his services.

6 I am copying this letter to David Howell, to whom I am most grateful for his comments on Mr Geoffrey Robinson. I am also sending copies to Norman Tebbit and John Nott.

Yours ever

Patrick

Prime Minister 2 Regional Policy
WR 29/1

DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

28th January 1982

Dear Prime Minister,

I enclose a very brief note of the Urban Programme.

The success stories are many and we will now increase concentration on getting the maximum publicity and Government credit for its contribution towards them.

Yours Sincerely,
Irvan

LORD BELLWIN

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
LONDON SW1

THE URBAN PROGRAMME

The Urban Programme provides 75% grant aid to local authorities towards expenditure on economic, environmental and social projects in areas of special social need. The resources made available in 1982/3 will be some £270M. Projects aim to stimulate the local economy, improve the physical environment and alleviate social need and deprivation. Over 5,500 projects are currently supported. Innovative schemes and those aimed at helping ethnic minorities are encouraged in the ministerial guidelines governing the operation of the programme. About 12% of the projects are run by voluntary organisations, the remainder by local authorities.

WHAT AREAS DOES THE URBAN PROGRAMME HELP?

Authorities receiving grant fall into four categories:

1. Partnerships have been set up in the 7 most deprived inner city areas (see the attached list of authorities). Partnership Committees are chaired by a DOE minister and include representations from the local authorities, central government departments and the area health authority. They draw up and co-ordinate implementation of comprehensive regeneration programmes in consultation with the private sector and the voluntary sector.

2. Programme authorities have been designated in 15 other seriously deprived areas. Here, the local authority itself prepares an annual inner area programme which is approved by a DOE Minister.

3. Fourteen 'Other designated districts' receive special grant aid for commercial and industrial projects.

4. In other areas of special need the Traditional Urban Programme' provides grant for specific projects. Over 160 authorities receive support in this way.

HOW LARGE IS THE URBAN PROGRAMME?

The 1981/2 Urban Programme allocation is £215M. £129M of this will go to capital projects. The breakdown between authorities is as follows:

	£M (out-turn prices)	%
Partnerships	119	55
Programme Authorities	49	23
Traditional Urban Programme	42	20
Other Designated Districts	5	2
	£215M	100

The split of expenditure between economic, environmental and social projects in approved programmes is:

	% of proposed expenditure:		
	Economic	Environmental	Social
Partnerships*	29	23	48
Programme Authorities	30	20	50
Traditional Urban Programme +	8	6	86
Other Designated Districts	100	-	-

*excludes Liverpool and Docklands both of which have a high proportion of economic projects

+ new approvals only

Programmes for 1982/3 are now being finalised. The overall allocation for this period is:

	£M (out-turn prices)	%
Partnerships	137	51
Programme authorities	59	22
Traditional Urban Programme	47	17
Other Designated Districts	8	3
Other	19	7
	£270M	100

SUCCESSFUL PROJECTS INCLUDE:

Many successes have been achieved as a result of urban programme support. A brochure "The Partnerships at Work" was prepared last year to publicise some of them and highlight the range of schemes supported. Examples particularly worthy of note are:

A. New Enterprise Workshops: Birmingham (no 13 page 17)
A derelict building has been converted into 10 small units for small, first-time businesses

B. L'Arche Workshop Lambeth (no 24 page 30)
This provides training and full-time employment for the mentally handicapped.

C. St Paul's Community Project, Birmingham (no 28, page 34) provides a range of services and projects for local children including an Urban Farm.

D. Merseyside Maritime Museum (no 40 page 46)
The Urban Programme contributed £110,000 to this major tourist attraction which has been created in the redundant Canning and Albert Docks.

E. Cowgate and Blakelaw Housing Estates (no 31, page 37)
Locally based housing management service run in conjunction with housing modernisation and environmental improvements on a difficult-to-let estate.

PARTNERSHIPS

Birmingham
Docklands (until mid-1981)
Hackney/Islington
Lambeth
Liverpool
Manchester/Salford
Newcastle/Gateshead

PROGRAMME AUTHORITIES

Bolton
Bradford
Hammersmith
Hull
Leeds
Leicester
Middlesbrough
Nottingham
Oldham
Sheffield
Sunderland
S Tyneside
N Tyneside
Wirral
Wolverhampton

OTHER DESIGNATED DISTRICTS
Barnsley
Blackburn
Brent
Doncaster
Ealing
Hartlepool
Haringey
Rochdale
Rotherham
St Helens
Sandwell
Sefton
Wandsworth
Wigan

JH 65

cc
Miss Mueller
Mr Jardine
Mr Dick
Mr Young
Mr Pearce
Mr Rees
Mr Bradshaw - with papers

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

23 December 1981

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

Dear Michael,

Medway Towns: Closures of Chatham Dockyard and BP Isle of Grain Refinery

As you will remember from earlier correspondence about 9,000 jobs will be affected by these closures in a locality where the current unemployment level is around 14%.

2 Recently I met the MPs most directly concerned (Peggy Fenner, Freddie Burden, Tim Brinton and Roger Moate). I followed this up on Friday 11 December with a meeting at County Hall Maidstone. About 50 representatives from the local authorities, industrial and commercial bodies and the trade unions were there. The purpose of the meeting was for me to listen to their views about the consequences of the closures and what would be needed to reduce their effects. A brief note about the outcome of the meeting is enclosed.

3 I was particularly struck by the level of common sense and reasonableness which was generally shown. I made it clear that development area status could not be expected and that a major objective must be for the bodies represented at the meeting to get together and co-ordinate their efforts. But clearly they cannot be left entirely on their own to deal with the problems of closure. As was pointed out to me on several occasions, the dockyard closure is entirely the result of Government policy and it is therefore reasonable to expect Government to take some steps to ensure that at least the effectiveness of local efforts are not frustrated. I am writing to you about three issues in particular. They are:

(a) dockyard assets should not be disposed of piece-meal;

(b) a major industrialist should be invited to lead the

local effort. I envisage that he might chair a small group of local people who would form themselves into a steering committee. He might also act as a focal point locally and a contact point with Government Departments;

(c) there should be a single Government contact point so that local efforts are not dissipated by having to approach several Departments simultaneously and finding that they pass the buck one to the other.

4 On the question of avoiding piece-meal disposal of the dockyard assets, I very much hope we can agree that this must not be allowed to happen. The fear of the local authorities is that if it did they would be left with the unattractive or even unusable areas. They accept that a future strategy is needed on the question of development and that they must take the first steps. A report has already been compiled by the Kent County Planning Authority about the historic dockyard. I understand that a second report on the other parts of the dockyard is being prepared. One possibility is that at the end of February or early March (when I understand the second report will be available) these two reports, together with a summary of the interest already being shown by private sector concerns, could be considered collectively by Government Departments. The next stage forward with the local authorities could then be discussed.

5 Regarding the appointment of a major industrialist, I should be most grateful if you would suggest any suitable candidates. Naturally, I have some ideas of my own, but any suggestions you or colleagues may have would be most welcome. Obviously the person concerned needs to be someone of experience and who is likely to command "clout" both locally and in dealing with Government Departments.

6 I have already asked David Young to approach BP. I had already had an informal word with the Chairman of BP(UK)Ltd (Mr Peter Walters) who was by no means dissmissive of the idea that BP "owed" the area something and that, as well as a cleared refinery site, they might be prepared to contribute money and people to efforts to provide new employment in the locality. I will keep you informed about any outcome of David Young's discussions.

7 On the question of a central contact point with Government Departments, I should like to suggest that we build on the informal arrangement begun last summer. The arrangement was that one of my officials chaired an inter-departmental group comprising representatives from MSC, Defence, Environment etc. The Department of Industry officials concerned could form a central contact point for the local authorities. Naturally,

there would be no question of our trying to "take over" as it were the legitimate interest of other Departments in the closures. But such an arrangement would at least provide what we are insisting that the local authorities provide, namely a co-ordinated approach and a clearly identifiable contact point.

8 Please let me know whether these proposals are acceptable to you. If they are not, I should be grateful for any changes you would like to suggest. I am sure you will agree that we need to act fairly quickly.

9 I am sending copies of this letter to John Nott, Norman Tebbit and David Howell.

ENC

Yours ever

Patrick

CLOSURE OF CHATHAM DOCKYARD

MEETING BETWEEN THE SECRETARY OF STATE AND REPRESENTATIVES OF BODIES CONCERNED - HELD AT MAIDSTONE ON 11 DECEMBER

1 Formal statements on behalf of the following organisations were circulated and summarised orally by the respective spokesmen:-

Mr J Spence	on behalf of the Kent County Council
Mr M Lewis	Leader, Gillingham Borough Council
Mr Gibson	Leader, Gravesham Borough Council
Mr Hargraves	Leader, Maidstone Borough Council
Mr McInness	Leader, Rochester-upon-Medway Borough Council
Mr Morton	Leader, Swale Borough Council
Mr Tissiman	Trades Unions
Mr Baker	Kent Association of Trades Councils
Mr Robinson	Medway Ports Authority
Mr Boorman & Mr Le Compte	Kent Industrialist bodies
Mr G Sibley	Medway & Gillingham Chamber of Commerce
Mr Brinton	on behalf of MPs for Gravesend, Medway Towns and Faversham.

2 The presentation of statements was followed by general discussion. The Secretary of State summed up the main points as follows:-

(a) The decision to close the dockyard should be taken by all concerned as a firm decision.

(b) Local efforts to deal with the effects of the closure had to be co ordinated. Both the leadership and organisation required to obtain local co-ordination must come from the organisations represented at the meeting.

(c) A major industrialist should be invited to act as a focal point for the local bodies and between these bodies and government departments involved (Defence, Environment, Industry and Transport).

(d) There should be a single, clearly identified contact point on the Government side to co-ordinate the inter-departmental responsibilities involved.

(e) The immediate problems concerned with the dockyard are:-

(i) Piece-meal disposal of assets must be avoided.

(ii) The future use of small building units.

(iii) The future use of the apprentice training school.

(iv) The provision of moorings for pleasure craft and the attraction of ancillary industries.

(v) Development of tourist attractions such as the historic dockyard.

(f) Assisted Area status for the Medway Towns cannot be justified.

3 The Secretary of State concluded proceedings by saying that he would do all that he could, within the resources at his disposal and subject to the views he had already expressed, to help resolve the problems that the dockyard closure would create for the Medway Towns.

SERO
15 December 1981

JU

Reg Pol

WL 17/12

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

14 December 1981

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

Dear Michael,

I was interested to see your letter of 19 November to Geoffrey Howe about the involvement of the private sector in the provision of facilities for cleaning up the Mersey. This is clearly a desirable aim in social and environmental terms. There are, however, considerable implications for industry, not only that located on the Mersey itself, but also industry elsewhere in the catchment area. I think, therefore, that officials from my Department should be involved in the discussion with the North West Water Authority and others and would want this Department's input to be focussed through the Regional Office in Manchester, involving, as necessary, those of its officials seconded to your Merseyside Task Force.

2 I am copying this letter to the Prime Minister and to Geoffrey Howe.

Yours ever

Patrick

Reg Pol 2

PRIME MINISTER

c.c. Mr. Gow

Inner Cities Statement

Mr. Heseltine made his statement in the form which you saw over lunch. The Treasury agreed his figures provided that he described the increase as "up to £55 m".

The House was quite thin, but there was plenty of interest from those present. Most speakers welcomed his announcements, although Opposition Members predictably saw the sums as drops in the ocean. Mr. Kaufman tried to use the occasion to bait Mr. Heseltine on the court decision against his withholding last October, and on his recent actions on some partnership schemes. He and Mr. Heseltine then had an exchange about the prices basis for the figures included in today's statement: I fear they managed to give the impression that neither of them understood how the new figures compared with previous figures revalued to current prices.

There was no single theme to Supplementary Questions, although Government Backbenchers welcomed the idea that public money was to be used in co-operation with private money wherever possible. Among the Merseyside Members, Anthony Steen welcomed the statement, and sought confirmation that the revitalisation measures would not be limited to the inner city - he pointed out that most derelict land was to be found in the outer areas of the conurbations. Allan Roberts said that Mr. Steen would be the only man from Merseyside to find this announcement satisfactory, whilst David Alton saw the sums as paltry in comparison with the reduction in capital resources for Liverpool over recent years. Bob Parry wanted more for public housing, but Mr. Heseltine pointed to the need for rehabilitation of much of the existing housing stock.

On the Government side, John Stokes wanted reassurance that this new money was not "danegeld" to appease the rioters, whilst Tony Beaumont-Dark wanted to be sure that London and Merseyside got only a fair share of the new money, when cities like Birmingham had needs which had not been brought to public attention through riots. Michael Latham

/ saw

saw new work and new hope for the stricken construction industry as a result of the announcement. Peter Bottomley asked the Secretary of State to find ways of allowing local authorities who stay within spending targets to have longer advance notice of the volume of resources available to them from the city.

On the Opposition side, most speakers concentrated on putting in bids for their own constituencies to benefit in some way. Breaking away from this, Charles Morris stressed the problem of youth unemployment, and asked that local authorities should be guided to give priority to this problem in using their funds. Mr. Hesltine agreed with this objective, and said that he had some ideas in mind, such as suggesting a higher ratio of apprentices to craftsmen in some of the construction work which might now be undertaken.

The statement will have been marginally helpful as part of the backdrop to the Scarman Debate, but I doubt whether it will blunt the Opposition's demand for much more resources for inner city areas.

MAP

9 December, 1981.

Inner Cities

3.33 pm

The Secretary of State for the Environment (Mr. Michael Heseltine): The Government recognise that no single announcement can be the measure of the inner city and urban problem, but it is important to take those decisions that we can as soon as practical.

Next week my right hon. Friend the Minister for Local Government and Environmental Services will chair a major conference for the European Campaign for Urban Renaissance which will seek further ways of encouraging the voluntary sector in the inner cities.

I must now take important decisions about the allocation of my departmental resources to the urban areas and inner cities next year. Public expenditure is in many cases essential, but it is not, and of itself cannot be, the whole answer. As important is the need to open a range of opportunities for private involvement and investment, which will add significantly to the public resources in urban areas and will widen the choice in many areas for those living and investing there. The urban areas, and especially the inner cities, have a concentration of unemployment and a deterioration of environment that argue for a particular stimulus for the construction industry and capital programmes.

It is against that background that I have reached certain conclusions about the allocation of my departmental programmes for next year. First, the Government believe that the derelict land programme should play a bigger role in urban policy. Derelict land reclaimed at public expense can lead to development by the private sector that adds very substantial private expenditure to the basic public expenditure. At the moment very little reclaimed land is developed. Next year I intend to increase the derelict land programme from £40 million to £45 million.

In allocating the uncommitted part of the programme I shall have particular regard to bids from local authorities in conjunction with the construction industry demonstrating the use to which the reclaimed land is to be put. I shall look especially favourably on those joint public-private sector schemes drawn from the land registers that offer the greatest private sector enhancement for every pound of public expenditure. I shall especially look to schemes that lead to housing, industrial, commercial, sporting and recreational opportunities. I shall invite representatives of the local authorities and the construction industry to meet me next week to establish the procedures whereby I receive special bids for joint schemes by the end of January.

Secondly, we shall enable the two urban development corporations of London and Merseyside to undertake substantially more projects in 1982-83 than in the present year. I expect to authorise some £50 million worth of schemes compared with the £15 million that they expect to spend on works this year. The House will realise that this, too, will attract much greater sums of private investment to enhance the effort that the public sector is making.

Finally, we have taken a important decision about resources for the urban programme in 1982-83. The local authorities in partnership and programme areas were asked to draw up programmes on a basis that would have implied a total of £215 million for the urban programme as a whole. I am glad to say that we have been able to improve substantially on that figure and will increase the total available by up to £55 million to some £270 million, including a special provision of £5 million additional stimulus to low-cost home ownership.

My announcements today must be seen in the context of an urban problem that will demand our continuing attention. They do not represent a whole response, but they make an important contribution.

Mr. Gerald Kaufman (Manchester, Ardwick): As we shall be debating these matters at length tomorrow, I shall confine myself today to questions seeking clarification of certain matters.

First, can the Secretary of State say on what annual price basis the sums of money that he has mentioned are posited? Secondly, can he say whether the figure of £270 million is inclusive or exclusive of the two docklands urban development corporations? If it is inclusive, can he provide a comparison on a constant price basis with the £224 million that he announced last February for the whole urban programme at 1980 survey prices? If it is exclusive can he provide a constant price basis comparison with the £158 million that he announced for the urban programme, exclusive of docklands?

Thirdly, will the Secretary of State give further details of the matters that he announced at Question Time last Wednesday, when he said that he had approved new urban programme projects in Lambeth, Hackney and Tower Hamlets? We wish to have details of those. Fourthly, can he say what decision he has reached about reimbursement to the six local authorities that were successful against him in the October court judgment on the £8,983,000 that he unlawfully withheld from them?

Fifthly, does the Secretary of State intend to reimburse the urban programme grant that he withheld from Hackney, Islington and Lambeth in September 1980? Sixthly, will he now abandon his attention of holding back £44,666,000 in rate support grant from 17 partnership and programme authorities as a penalty for alleged overspending?

Mr. Heseltine: I am holding consultations with the London boroughs involved in the recent court action very much in accordance with the views expressed in the action. Details of further schemes for expenditure approval in the three London boroughs is for discussion among the boroughs, and I believe that it is now taking place.

I shall write to the hon. Gentleman to add to what I say at the Dispatch Box so that he may have a clearer picture, but I can say that the figures that I gave were on a cash basis. The £270 million is inclusive of the urban development corporation's expenditure. To break down the figures to some extent, I can tell the right hon. Gentleman that it is anticipated that next year's urban expenditure programme, on a constant price basis, will be at the highest level ever. The figure for the urban programme for 1979-80 at November 1979 constant prices was £179 million. It is expected to rise to £190 million in 1982-83 on the same money base.

Mr. Kaufman: Can the right hon. Gentleman help me a little more? The calculations that he makes are not clear. He has clarified what I fear he sought not to clarify in his statement—the £270 million is inclusive of the two urban docklands development corporations.

Mr. Heseltine: I should have said that it is exclusive and in addition to the £270 million.

Mr. Kaufman: In February, the right hon. Gentleman announced an allocation of £158 million for 1981-82, exclusive of docklands. Is the £158 million at 1980 survey prices directly comparable to the £270 million which he has now announced for the urban programme? If so, can he revalorise it so that the two figures are directly comparable?

Secondly, does the right hon. Gentleman intend to proceed with holding back the £44,666,000 from the 17 programme and partnership authorities? If so, it would largely cancel out any increase that he has announced.

Mr. Heseltine: I am not making a statement today about the decision on holdback on the current overspend of local government. I have made my position clear. I believe that the over-expenditure on current account is one reason why we have seen significant reductions on capital account. It would not be right to reduce the pressure to secure reductions in current expenditure to facilitate the increase in capital expenditure. The right hon. Gentleman is familiar with the damage done previously as a consequence of such a procedure. The capital programme of his own metropolitan district of Manchester of £144 million in 1974-75 was reduced to £100 million under the Labour Government. I am trying to bring about a shift in favour of capital expenditure to reverse the trend.

I shall write to the right hon. Gentleman about his second point, as the figures are in different money bases and must be seen in comparative terms, but I can tell him that what I announced is a significant increase in real terms. The £158 million for 1981-82 is in November 1979 prices and compares with the equivalent of £190 million for the 1982-3 announcement, but at November prices the £190 million is the equivalent of the £270 million in cash, which I referred to in the statement.

Several Hon. Members *rose*——

Mr. Speaker: Order. I remind the House that these matters are to be debated tomorrow and that we have two important and abbreviated debates to follow, involving eight Front Bench speeches. Therefore, I shall allow questions to run until 4.5 pm.

Mr. Anthony Steen (Liverpool, Wavertree): Will my right hon. Friend accept that the whole House—apart from the right hon. Member for Manchester, Ardwick (Mr. Kaufman)—welcomes what is one of the most important statements for some time concerning the revitalisation of city areas? Will he confirm that there will be no loss of local authority automony, and that the funds for the reclamation and revitalisation of land will not be confined to inner city areas but can be used for outer areas, where the majority of the vacant, dormant and derelict land lies?

Mr. Heseltine: I am grateful to my hon. Friend for his helpful remarks. There is no intention to reduce local authority autonomy. Indeed, I believe that local authorities will benefit from the opportunities of the enhanced resources on capital account. Outer city areas will be very much considered in the derelict land scheme.

Mr. George Cunningham (Islington, South and Finsbury): Does the Secretary of State remember that we were able to persuade him that increased partnership spending by local authorities should not be counted when working out whether a local authority had fallen into the penalty area on overspending? In view of his statement, can he guarantee that the arrangement will continue this year?

Mr. Heseltine: If the hon. Gentleman would be good enough to wait until we come to the rate support grant settlement, all those matters will be taken into account. We shall have to weigh the matter particularly against the changed bases for the GREA formula, which in the main, if I may say without anticipating the settlement, are likely to have a favourable impact on inner city areas.

Mr. David Alton (Liverpool, Edge Hill): How can the Secretary of State talk about increased capital expenditure opportunities for local authorities when in Liverpool over the past two years there has been a £24½ million reduction in capital resources, through a 25 per cent. reduction in the capital allocation of the housing revenue account, and a £11½ million reduction in the RSG settlement? Is he not merely giving us crumbs while taking away the meal? What is his answer to the allegation of the leader of the Liverpool city council that over the past five years, because of reductions in capital expenditure, Liverpool has lost 11,000 jobs?

Mr. Heseltine: I am in constant touch with the leader of the Liverpool city council and I hear a totally different message from him about the work that I am doing. I am sure that the people of Merseyside will realise that what I have announced today will be of considerable benefit to them.

Mr. John Stokes (Halesowen and Stourbridge): Will my right hon. Friend give a categorical assurance that the large sums of money that he announced are not Danegeld to appease rioting areas but are soundly based to assist the recovery of the whole of the United Kingdom?

Mr. Heseltine: My hon. Friend will realise that, despite the real stresses in urban areas, the riots were severely limited. What I have announced today will benefit many parts of the country where there were no riots.

Mr. Robert Parry (Liverpool, Scotland Exchange): Is the right hon. Gentleman aware that the Tory-Liberal coalition on the Liverpool city council is not building any public housing in the inner areas, in spite of the long waiting list and the demolition of pre-war tenement blocks? Will he speak to the council about that fact?

Mr. Heseltine: I cannot compete with the hon. Gentleman's knowledge of his area, but he will be aware that to solve the housing problem in Liverpool requires the restoration and rehabilitation of the large number of empty and derelict houses and not the building of more houses.

Mr. John Cartwright (Woolwich, East): Is the Secretary of State aware that many of us welcome his acceptance that the problems of the inner cities can be tackled effectively only by a partnership between public and private investment? Does he accept that the extra resources that he announced today will not have the dramatic impact that is needed, particularly when they are set off against cuts in the rate support grant? What will he do to tackle the problem of the appalling quality of life on many inner city housing estates and provide more jobs in inner cities, particularly for the young unemployed?

Mr. Heseltine: I am grateful to the hon. Gentleman for recognising what I believe every serious observer of the

position understands—that only with the combined resources of the public and private sector shall we bring about a new approach in the urban areas. I wonder whether the hon. Gentleman has fully understood the gearing effects of my proposals. I hope that the substantial sums of money that are being made available will attract additional sums from the private sector. I believe that there will be a significant impact on job creation in the area, but to have gone forward at a significantly different speed from the one that I announced today would not have measured up to the difficulty of making decisions on the precise schemes that we should follow.

Mr. Fred Silvester (Manchester, Withington): I congratulate my hon. Friend on making another contribution to the repair of the inner cities and particularly on the way in which he has done it. He spoke about capital and the involvement of the construction industry, and referred to special bids being made by January. Are we putting a time limit on that which would make it difficult to get the full benefit from such a scheme?

Mr. Heseltine: I have had to consider that carefully. It is a question of balancing the opportunities to prepare in detail the schemes with the need to bring an urgent injection of help and hope to those areas. I believe that many authorities already have schemes and, working quickly in conjunction with the private sector, will be able to put forward proposals. It is right, therefore, to err on the side of moving quickly, although it is open to me to modify the timetable if necessary.

Mr. Charles R. Morris (Manchester, Openshaw): Is the Secretary of State aware that the major feature of Britain's inner city problem is the question of the young jobless? Is he further aware that in Greater Manchester alone 68,000 young people are unemployed? In the allocation of the funds, will he encourage local authorities to give priority to projects for the young unemployed?

Mr. Heseltine: I share the right hon. Gentleman's view. On Merseyside, I have been trying to put precisely that emphasis on my proposals. I hope to make additional announcements about how we are experimenting precisely to find opportunities of that sort. One experiment in which the House may be interested, and which I hope shortly to be able to confirm, is that we should have a higher ratio of apprentices to craftsmen on some of the schemes that we are trying to pioneer for building new houses.

Mr. Anthony Beaumont-Dark (Birmingham, Selly Oak): I join other hon. Members in welcoming my right hon. Friend's statement. We are particularly grateful for the fact that he should be showing real and abiding interest in urban problems. Are we to understand that the £35 million extra for London and Merseyside is the total and that the extra £55 million is therefore to go to the other deprived areas? Is my right hon. Friend aware that the fact that Birmingham did not involve itself in the unruly elements does not mean that there is not a great deal of work to be done there? Will he take up the point made by my hon. Friend the Member for Liverpool, Wavertree (Mr. Steen) that the outer city areas have just as many problems and could be helped that much quicker to make the cities really worth living in?

Mr. Heseltine: Of course, I want to ensure that the West Midlands has an appropriate share of the funds that are available because that area is having a difficult time at present. I have tried to make it clear what funds are available to the urban programme at large, as opposed to the urban development corporations. I want to ensure, when I consider the bids under the derelict land schemes, that the outer areas are considered as important as some of the inner areas.

Mr. John Maxton (Glasgow, Cathcart): Is the Secretary of State aware that, although we have had no riots in any cities in Scotland, the problems of industrial decline and social deprivation are just as great, certainly in the city of Glasgow? Will the right hon. Gentleman say whether we shall have an equivalent statement from the Secretary of State for Scotland about the measures that he intends to take to tackle the problems of inner cities in Scotland?

Mr. Heseltine: All territorial Secretaries of State are grappling with their own regional and urban problems. I have been privileged to send my officials to Glasgow to see what is happening with the GEAR scheme, and I hope to go there myself. My right hon. Friend the Secretary of State for Scotland is in the Chamber and doubtless has heard the hon. Gentleman's comments. I am sure that, in the fullness of time, he will want to draw to the attention of the House the excellent work that he is already doing in Scotland.

Mr. David Gilroy Bevan (Birmingham, Yardley): I thank my right hon. Friend for the help that he has announced, which is desperately needed by inner cities such as Birmingham, where it is possibly more desperately needed than in other areas. I thank him also for promoting active schemes between the private sector and local government. Without pre-empting his conversations next week, will he be more precise about how he will utilise the private sector to help statutory owner schemes?

Mr. Heseltine: I sympathise with my hon. Friend's interest in that aspect of my announcement. Although I shall take a flexible attitude, depending on the response, I have in mind that local authorities that are able to show that they have derelict land that can be cleared with the aid of derelict land grant shall be given preference if they say that they can then make use of the land for building or recreational purposes, which will give a private sector enhancement to the public sector finance that I am prepared to provide.

Mr. Clinton Davis (Hackney, Central): Does the Secretary of State agree with the Commission for Racial Equality which has argued that effective measures to tackle racial disadvantage have been frustrated by the shift of resources from the inner cities for which he has been responsible? What will he do to deal with the inequalities that he created by the shift in policy on the rate support grant, which is now clearly to be seen to the prejudice of inner city areas, particularly in an area such as mine in Hackney?

Mr. Heseltine: The shift of resources that I made was largely from London to the provinces. Within that shift there was significant proportionate gain to some of the inner city areas. That was necessary in order to deal with the problems that had been created by the Labour Government, who made such a major shift from the provincial areas, including the metropolitan provincial areas, to London. The biggest shift took place because some London authorities very much overspent their targets

[Mr. Heseltine]

and therefore, under the block grant mechanism, voluntarily went through a process where they accentuated the shift away from London. As part of the process of trying to regenerate capital investment in this country, we have to pull back on current consumption.

Mr. Michael Latham (Melton): Is my right hon. Friend aware that one reason why this statement will be particularly warmly welcomed is that it will bring new work and new hope to the sorely stricken construction industry? Has he any intention of using the funds for fast-moving schemes, such as improvement schemes and land reclamation, because the problem is getting people back to work in the industry?

Mr. Heseltine: I am grateful to my hon. Friend, who knows a great deal more than I do about the construction industry. I want to keep an open mind as to the schemes that I select. Having "put on the table" the sum of money that is available, I would be better advised to wait for the response of the construction industry and the leaders of local government about how the money should be spent. I shall be calling urgently for meetings in order to get that under way.

Mr. Kevin McNamara (Kingston upon Hull, Central): Will the right hon. Gentleman say what sort of regional spread he envisages? Will he say how much will go to Merseyside, Humberside, the city of Hull, and so on, so that we may have some idea of whether our local councils should spend time preparing schemes?

Mr. Heseltine: I do not at present have in mind a regional spread. I am interested in the quality of the schemes and the work that can flow from them. I believe that local authorities, particularly the local authorities in the hon. Gentleman's area, will react quickly to ensure that they get a proper share of the available finance.

Mr. Den Dover (Chorley): Is my right hon. Friend aware that the private sector will greatly welcome his further involvement of it in the rebuilding of inner cities? Does he accept that many of us welcome the fact that he is using public expenditure in the most effective and efficient way—by pump priming?

Mr. Heseltine: I am grateful to my hon. Friend. It is necessary to take every advantage that we can of the incremental expenditure from the private sector. I am aware that many local authorities have substantial capital receipts at their disposal which, under the new regimes, they are free to spend on capital programmes. They are not fully utilising those receipts.

Mr. Allan Roberts (Bootle): Does the Secretary of State accept that everyone on Merseyside, other than the hon. Member for Liverpool, Wavertree (Mr. Steen), will consider his announcement as being inadequate to deal with the problems of Merseyside? How much of the £50 million being allocated to the urban development corporations will be spent on Merseyside? Does the right hon. Gentleman accept that there is a need not to distribute the rate support grant, which has already been greatly reduced by the Chancellor of the Exchequer, in such a way that inner city areas such as Merseyside suffer once again?

Mr. Heseltine: I am sure that the hon. Gentleman has a meaningful dialogue with some people on Merseyside, but my experience shows that there is a real welcome for what I have been trying to do on Merseyside. It is curious that the hon. Gentleman has failed to notice that. It is difficult to allocate money to the UDC on Merseyside and then spend it in another part of the country.

Mr. John Sever: (Birmingham, Ladywood): Will the Secretary of State bear in mind that the money he is prepared to allocate to Birmingham will be well spent? There is no shortage of schemes available to use the money. Does he recognise that the regeneration that he is looking for in such places as Ladywood, in the centre of Birmingham, will come about only when much greater Government attention is given to the problems of inner cities and far greater resources are made available? May we look at today's statement as being the forerunner of many others?

Mr. Heseltine: I agree that money spent in Birmingham under the schemes will be well spent. The response of the local people will be typical of the determination to help themselves which characterises many people in the West Midlands. I very much sympathise with that veiw. I understand the need to continue to exert pressure and to help the inner cities—provided the hon. Gentleman realises that that means public and private help in partnership.

Mr. Jack Straw (Blackburn): Will the Secretary of State confirm that the additional resources for land clearance will be available to the designated inner urban areas such as Blackburn? Is he aware that much of the problem of unused land in inner urban areas arises from the obliteration of the public housing programme, which has not been, and cannot be, met by the private sector? Are there any proposals to increase the allocation of funds to the public housing programme? Does he accept the truth—however unpalatable—that, in the words of his own minute to the Prime Minister, it took a riot to make the Government change their policy?

Mr. Heseltine: The whole House realises that it serves no purpose to pretend that the inner city problem grew up under this Government. The decline throughout the inner cities is long standing. Local authority capital expenditure was halved by the Labour Government, which must be remembered when attempting to apportion blame. Let us remove ourselves from trying to apportion blame. The derelict land programme can be considered for the area represented by the hon. Gentleman. I hope that it will make an appropriate bid.

The hon. Gentleman referred to the decline of public housing, which I have always been the first to recognise. However, that was continuing in a straight line downwards under the Labour Government, and the capital programmes were substantially reduced by them after 1975—as the hon. Gentleman and the right hon. Member for Manchester, Ardwick (Mr. Kaufman) know. I greatly deplore the fact that the right hon. Gentleman is doing his best—although not an effective best—to prevent new rental accommodation in the private sector. He is also doing his best to persuade people not to buy their council houses, which would provide cash for the improvement of other council houses.

I hope that the whole House will welcome the fact that our announcement about next year's capital programme

for public sector housing is the first time for many years that a Government have looked for stabilisation rather than decline in the programme.

Mr. Peter Bottomley (Woolwich, West): Does my right hon. Friend accept that additional capital investment in inner cities is greatly welcomed? Will he find some way whereby local authorities, if they keep within Government spending targets, may know in advance what capital sums are likely to be made available to them?

Mr. Heseltine: I very much agree with my hon. Friend's remarks. The more certainty and the longer period of notice that we can give in these matters, the more probable it is that we shall maintain the levels of expenditure. I am concerned because the local authority capital programmes appear to be significantly underspent. There are substantial resources that are not being spent but which could be spent under the freedom of the local government capital regimes. I hope that my hon. Friend will bear that in mind.

Mr. Guy Barnett (Greenwich): Is the Secretary of State aware that I agree with his emphasis on co-operation between public and private enterprise in the redevelopment of inner city areas? He will know that one of the best examples of that is pursued by the London borough of Greenwich, where there has been highly successful co-operation. I hope that he will learn from that. The whole of his package appears to concentrate on physical construction projects. Does he not realise that one aspect of inner city redevelopment is investment in people? What funds will he make available to extend nursery, adult and further education and skill training, all of which are vital to the redevelopment of industry in inner city areas?

Mr. Heseltine: The hon. Gentleman, perhaps through my fault, may have misunderstood the implications of what I said in my statement. While I wish to see the weighting of the programmes swung more and more towards capital investment, it is within the powers of the urban programme to support current expenditure. Indeed, a substantial amount of current expenditure is being sustained on the urban programme.

I said in my statement that the Government attach great importance to encouraging the voluntary sector in many of the inner urban areas. That can be supported by the urban programme. It is a question of balance. It is not an absolute determination that only capital sums should be brought into play during the coming year. It is a question of swinging the balance and trying to make correct judgments.

Later——

Mr. Ken Eastham (Manchester, Blackley): On a point of information, Mr. Speaker. As you know, it was announced on the television screens that there would be a statement on the inner cities. Some of us have a special interest in the subject, and we sat patiently in our places and attempted to catch your eye, Mr. Speaker. What is the purpose of notifying us that a statement is to be made if we cannot join in the questioning?

Mr. Speaker: The hon. Gentleman is not the only person who is disappointed. Many hon. Members will be disappointed later this evening when they fail to catch the eye of the Chair during the debate that has been delayed. If every hon. Member lets his indignation pour over me when he is not called while making what is not a genuine point of order, it will make life extremely difficult. When I was not called by the Chair, I used to go and have a cup of tea in the Tea Room.

Privy Councillors (Participation in Debates)

Mr. Arthur Lewis (Newham, North-West): On a point of order, Mr. Speaker. I do not know whether, among your various commitments, you have had the opportunity to read *Hansard*. May I refer you to your earlier remark that eight Front Bench speakers wish to take part in the debates today? Yesterday, when you were not in the Chair, I raised a point of order on two occasions. There was a continuous spate of Privy Councillors coming into the Chamber, making their speeches and walking out. They did not put in another appearance until the Front Bench speeches, and some did not return to the Chamber at all.

Some of my Back-Bench colleagues are not Privy Councillors. They have been trying to catch your eye, Mr. Speaker. You said that questions would end at 4.5 pm, and I make no complaint. However, if there is to be a regular habit of Privy Councillors receiving preferential treatment, making their speeches and walking out, my hon. Friends on the Back Benches will not have an opportunity to speak.

Will you consider that matter, Mr. Speaker, to determine whether there could be a fairer sharing of time in our debates for all Members? Will you tell the Privy Councillors that only a limited number of them should speak? That would allow Back Benchers, who have very little time available to them, the opportunity to take part in debates.

Mr. Speaker: I am much obliged to the hpn. Gentleman, who is an experienced Member of the House. I shall certainly consider his constructive proposal for a limit on the number of Privy Councillors called in any debate. I realise the frustrations and difficulties that are caused.

The hon. Gentleman drew our attention to increasing evidence of the discourtesy—not limited to Privy Councillors—of Members speaking in the debates and then leaving. That is unworthy of the House. It has long been our tradition that if anyone participates in a debate he owes the House his attention for the remainder of the evening, at least until the debate concludes.

London Docklands Development Corporation

Mr. Nigel Spearing (Newham, South): On a point of order Mr. Speaker. Can you assist and advise me? From debates in the House you will be aware that the London Docklands Development Corporation has taken over powers of local government in a substantial area of London, especially in relation to compulsory purchase, public land, and planning powers.

The three areas involved are Newham, Tower Hamlets and Southwark.

The only public representatives who can call the Secretary of State to account for any action of this particularly undemocratic and unelected body are the respective Members for those constituencies, who can pursue parliamentary procedures. An additional £50 million has been allocated to this undemocratic corporation for expenditure in my constituency and in others. I hope that you can advise me, Mr. Speaker, on the way in which I can call the Secretary of State to account and ask him questions when announcements of this sort are made.

Mr. Speaker: I cannot be as helpful to the hon. Gentleman as I was to the hon. Member for Newham, North-West (Mr. Lewis). However, I shall consider what he has said.

cc Pers Office

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

9 December 1981

Dear Mike

INNER CITIES STATEMENT

Thank you for your letter of 8 December. I now attach the latest draft of the proposed statement. The 2 square-bracketted figures in the penultimate paragraph relate to matters still under discussion with the Treasury.

I am copying this to John Halliday (Home Office), Nick Huxtable (Lord President's Office), Muir Russell (Scottish Office), John Craig (Welsh Office) and Terry Mathews (Chief Secretary's Office).

Yours ever

J JACOBS
Private Secretary

Mike A Pattison Esq - No 10

IN[illegible]R CITY STATEMENT - HOUSE OF COMMONS - 9 DECEMBER 1981

The Government recognises that no single announcement can be the measure of the inner city and urban problem but it is important to take those decisions we can as soon as practical.

Next week my Rt Hon Friend the Minister for Local Government and Environmental Services will chair a major conference for the European Campaign for Urban Renaissance which will seek further ways of encouraging the voluntary sector in the inner cities.

I have now to take important decisions about the allocation of my Departmental resources to the urban areas and inner cities next year.
Public expenditure is in many cases essential.
But it is not, and of itself cannot be, the whole answer.
As important is the need to open a range of opportunities for private involvement and investment.
This will add significantly to the public resources in urban areas and will widen the choice in many fields for those living and investing there.

The urban areas and particularly the inner city have a concentration of unemployment and a deterioration of environment that argues for a particular stimulus for the construction industry and capital programmes.

It is against this background that I have reached certain conclusions about the allocation of my Departmental programmes for next year.

First the Government believes that the derelict land programme should play a bigger role in urban policy.

Derelict land reclaimed at public expense can lead to development by the private sector that adds very substantial private expenditure to the urgent public expenditure.

At the moment very little reclaimed land is developed.

Next year I intend to increase the derelict land programme from £40 to £45m.

In allocating the uncommitted part of the programme I shall have particular regard to bids from local authorities in conjunction with the construction industry indicating the use to which the reclaimed land is to be put.

I shall look especially favourably on those joint public/private sector schemes drawn from the land registers that offer the greatest private sector enhancement for every pound of public expenditure.

I shall particularly look to schemes that lead to housing, industrial, commercial, sporting and recreational opportunities.

I shall invite representatives of the local authorities and the construction industry to meet me next week to establish the procedures whereby I receive special bids for joint schemes by the end of January.

Second we will enable the 2 urban development corporations of London and Merseyside to undertake substantially more projects in 1982/83 than in the present year.

I expect to authorise some £50m worth of schemes compared with the £15m they expect to spend on works this year.

The House will realise that this, too, will attract much greater sums of private investment to enhance the effort that the public sector is making.

Finally, Mr Speaker, we have taken an important decision about resources for the urban programme in 1982/3.

The local authorities in partnership and programme areas were asked to assume for planning purposes that they would receive roughly the same in real terms as in 1981/82.

This would have implied a total of £215m for the Urban Programme as a whole.

I am glad to say that we have been able to improve substantially on this figure and will increase the total available by up to [£55m] to some [£270m] including a special provision of £5m additional stimulus to low cost home ownership.

Mr Speaker, my announcement today must be seen in the context of an urban problem that will demand our continuing attention.

They do not represent a whole response but they make an important contribution.

cc Prs Office

Treasury Chambers, Parliament Street, SW1P 3AG

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

8 December 1981

Dear Secretary of State,

INNER CITIES STATEMENT

Our officials have been discussing your two letters of 4 December on derelict land grants and the management of the inner cities programmes, and the draft statement on these which your Private Secretary circulated with his letter to Mr Pattison dated 7 December.

While I have some sympathy with the general intention behind your proposals on derelict land grants, I do see some problems. The local authorities may well object to your proposal to take closer control over the allocations; indeed, it may be an inopportune time to announce a further erosion in the freedom we had originally intended local authorities to have to set their own priorities within an aggregate cash limit. However, I leave that to your judgement, and will not object to your announcing that aspect of your proposals.

I am afraid I cannot agree at such short notice to your proposals to extend coverage of the derelict land grants or to alter the basis on which we reclaim grant paid on profitable developments. I am quite prepared to let our officials discuss these proposals further, and can agree to a limited announcement that the Government is considering the scope for adjusting the rules to give greater incentive to projects for housing factories and commercial use. But until I am certain of the full implications of your proposals I am afraid I cannot agree to an announcement which goes beyond that.

On the question of managing the inner cities programmes, I cannot agree to your proposal to have a single cash limit covering local authority expenditure on derelict land and the urban programme, and the external finance of the UDCs. This would run directly contrary to the decision, implemented only this year, to control local government capital expenditure as a single entity. Other colleagues would, I am sure, wish to have the same freedom to switch during the year between local authority and central government expenditure, and once we start down this road we shall very

soon be left without a coherent local authority capital programme at all. I would also point out that I have already agreed to a relaxation in the local authority capital control scheme to help to avoid the sort of problem that arose with the Docklands Partnership and the LDDC.

If you see some merit in a separate cash limit for local authority expenditure on derelict land and the urban programme then I would be prepared to consider that. But there are a number of practical questions which would need to be discussed by officials before any announcement could be made.

Turning to the draft statement, I must therefore ask you to delete the whole of the last paragraph and the second sentence of the penultimate one. My detailed comments are as follows:

Third paragraph last sentence: should be "I will" not "I well".
Fourth paragraph: I understand that the figure of £215 million is not the survey baseline, but is your estimate of what the authorities might have been expecting from your instructions to them to prepare their programmes on the basis of the same funds in real terms as in 1981-82. I can see the presentationsl advantages of using this lower figure in comparisons with the proposed total of £256 million; but to avoid the implied reference to volume plans I would prefer you to say "to draw up their programmes on a basis which would have implied a total of about £215 million ...." I suggest you look again at the last sentence of that paragraph to bring out the fact that the difference between the £15 million quoted for 1981-82 and the £82.2 million cash limit is largely accounted for by acquisitions of land.
Sixth paragraph: Can I suggest that the last sentence might be better as: "In order to obtain the maximum value for money and the active participation of the private sector, the Government propose, in inviting bids from local authorities to give priority to these schemes offering an early prospect of generating investment by the private sector, whether for housing factories or commercial use".
Seventh paragraph: I must ask you to delete the last sentence, but you might like to strengthen the first sentence to read: "The Government also intends to consider the scope for adjusting the rules so as to give greater incentive to local authorities to make full use of grants for this purpose."
Eighth paragraph: I must ask you to delete this completely.

Finally, I understand that the total of £256 million which you propose for the urban programme, the £50 million you propose for UDC projects and the £5 million extra provision for derelict land grants rely on savings which you proposed to make elsewhere in your programmes, including £17 million from new towns commercial and industrial investment. This will reduce the provision for new towns to a level where if receipts failed to materialise, existing contractual commitments could be endangered. The new towns disposal programme has proved disappointing in the past and has twice failed to come up to expectations. Before I agree to the announcement of the inner cities programme totals, therefore, I would welcome your personal assurance that the £17 million transfer does not put the 1982-83 new towns cash limit in jeopardy.

Maclean
Equivalent statement on Scottish measures?

D. Bevan
Say more next wk abt how will involve private sector.

S.C. Davis

Latham
Welcome new work + hope for stimulus construction industry
Some steer on quick schemes
H Must stay open-minded for while

McNamara
Regional spread of funds?

Ven Dover
Private sector welcome. Pump priming for public spending

A Roberts
Everybody on merseyside except Steyn will find this inadequate for problems

Seven
Birmingham will welcome allocation
More govt aid for inner cities needed.

Straw
Benefit land money for all designated inner-city areas?
Public housing needs cannot be met in private sector.
'It took a riot' - unpalatable fact
H Problem did not grow up under this govt.

Bottomley
Welcome extra cap govt.
Find array of letters las who kp govt guidelines know sooner their cap progs some way ahead

G Barnett
All seems to be on construction. Where is investment in people - education + trng -
H. Not what I meant: urban prog has powers to support current spending

I am sending copies of this letter to the Prime Minister, the Home Secretary, the Leader of the House, the Secretaries of State for Scotland and Wales, the Paymaster General and the Chief Press Secretary at No. 10.

yours sincerely

LEON BRITTAN

PP

(Approved by the Chief Secretary & signed in his absence)

Kaufman Debate tomorrow
price basis?
£270 incl Docklands corps?
Details of urban prog mpc's
mentioned at ⊕ last Wed?
Reimbursement to 6 loc authorities
successful against him in courts last Oct
" to Hackney, Lambeth + ~~etc~~ from Sept 80
Abandon withholding on 17 partnership
schemes

Nov 79 prices — £179
82/83 190 on same basis

H. Current overspending a major factor in capital squeeze. Will not ∴ hold back on my action

Steyn Welcome.
No loss of LA autonomy?
Revitalisation not limited to inner city — most derelict land in outer

Cunningham Partnership
H Await RSG settlement

Alton Liverpool had £26½ m cap resources reduction over last 10 yrs, etc. "Giving us crumbs while taking away meat"

Stokes Assure us money not danegeld to appease rioters

Parry No public housing in progress in my const.
H Much to restore + rehabilitate

Cartwright
Sylvester Does 'Jan' mean time limit on bids?
H. A balance of factors: at present going for spd, cd modify

C Morris Youth unemployment: LA's shd give priority in using funds
H Agree. Eg perhaps higher ratio of apprentices to craftsman in some areas

T B-D Is 35m to L + Merseyside sum total, + extra 55 for others. Birmingham needs, but no rioters

JS

Key Pd

10 DOWNING STREET

From the Private Secretary

8 December 1981

INNER CITIES STATEMENT

Thank you for your letter of 7 December, which the Prime Minister has seen.

As I have told you on the telephone, the Prime Minister has agreed that there should be a statement tomorrow. I understand that you are still in discussion with the Treasury about certain policy aspects, and you will be letting us have a redraft in the course of tomorrow morning.

I am sending copies of this letter to John Halliday (Home Office), Nick Huxtable (Lord President's Office), Muir Russell (Scottish Office), John Craig (Welsh Office) and Terry Mathews (Chief Secretary's Office).

M. A. PATTISON

Jeff Jacobs, Esq.,
Department of the Environment.

JS

cc JV
AD
AW

Prime Minister

(4)

2 MARSHAM STREET
LONDON SW1P 3EB

8/12

My ref: H/PSO/18492/81

Your ref:

7 December 1981

Dear Jim

MERSEYSIDE

m Pt 2

Thank you for your letter of 20 October.

I hope I may be able to help you. It was made clear in the Prime Minister's statement of 9 October that it would be an important part of the Task Force exercise to extend, where appropriate, to other areas the benefit of experience acquired on Merseyside. Equally practice elsewhere might well be appropriate for Merseyside and I am grateful for your offer of your officials' experience. I shall certainly consult colleagues before major announcements.

As you say, the financial institutions' managers who are helping me investigate how the private sector can co-operate with the public sector in revitalising inner urban areas are concerned with UK cities generally including Belfast.

They are at present still developing their ideas on priority areas for investigation, but I very much hope that when they firm up their work programme early in the New Year it will be possible to include some action research or experimental project in Northern Ireland.

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

Yours ever

Michael

MICHAEL HESELTINE

The Rt Hon James Prior MP

Prime Minister

Here is the first draft of Mr Heseltine's statement, and an explanation of the reasoning behind it. It is now scheduled for Wednesday. But the drafting needs much improvement, with a clearer structure, and clearer statement of new money in relation to old. Agree that there should be a statement, suitably re-drafted? MAP 8/XII

MT

1.

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

7 December 1981

Dear Mike

INNER CITIES STATEMENT

I mentioned to you last week that my Secretary of State had it in mint to make a statement in the House on Wednesday this week about inner cities. This followed an informal discussion which Mr Heseltine had last week with the Home Secretary who agreed that a statement in advance of Thursday's debate on the Scarmen Report would be helpful.

I now attach the latest draft of my Secretary of State's proposed statement. The proposals in it flow directly from decisions taken by my Secretary of State about the distribution of funds from public expenditure programmes within his specific Deartmental responsibilities. Square-bracketed sentences refer to policy changes currently under urgent discussion with the Treasury.

It has been suggested to my Secretary of State that, given the helpful nature of the statement, it might be sensible to make it before tomorrow's debate on the Government's public expenditure proposals for 1982/83. The Secretary of State would be happy to proceed on this basis, if that were the wish of his colleagues. I am aware, however, that the Leader of the House may have reservations about making the statement tomorrow - in which case the Secretary of State would be perfectly content to make it on Wednesday.

I would be grateful for any comments as soon as possible.

I am copying this to the Private Secretaries to the Home Secretary, the Leader of the House, the Secretaries of State for Scotland and Wales, the Chief Secretary, the Paymaster General and to the Chief Press Secretary at No 10.

Yours sincerely

Jeff Jacobs

J JACOBS
Private Secretary

Mr Heseltine will I am sure sharpen up the drafting to improve the presentation. The last page seems very lettered to end on. I think the statement will have to come tomorrow - it would look too contrived today, and wouldn't get enough news.

MT

Mike Pattison Esq - No 10

DRAFT INNER CITY STATEMENT FOR THE SECRETARY OF STATE FOR THE ENVIRONMENT

With permission, Mr Speaker, I would like to make a statement about urban policies and resources for next year.

The Government's further proposals to improve conditions in the inner cities will involve a series of decisions over a broad range of policies, such as those raised in Lord Scarman's Report, which we are shortly to debate, and those emerging from my own work on Merseyside. But it is important to begin the process of concentrating resources as quickly as possible.

I can report to the House a number of decisions of this kind. In determining priorities I have sought to concentrate on stimulating capital investment, both on employment and on improving the physical environment and of its effect in stimulating investment by the private sector. At the same time I will recognise the importance of revenue support for certain types of voluntary effort.

The first decision concerns resources for the urban programme in 1982/83. The local authorities in partnership and programme arrangements have been asked to draw up their programmes on the basis that they would receive roughly the same funds in real terms as in 1981/82. This would have implied a total of £215M for the Urban Programme as a whole. I am glad to say that we have been able to improve substantially on this figure and will increase the total available by 20% to some £256M. In addition we will enable the two urban development corporations to undertake substantially more projects than in 1981/82: some £50M worth in 1982/83, compared with less than £15M this year.

2nd ?

We shall be setting aside £5M within the Urban Programme to stimulate a range of low cost home ownership ventures in inner cities. I shall be in touch with a number of local authorities very shortly inviting them to bid for a share. These schemes, too, will produce valuable private sector investment.

The Government believes that the resources available for the derelict land programme can also play a significant role in achieving the aims of urban policy. For the next two years my Department will itself allocate funds to derelict land schemes to bring about a major shift of resources to reclamation in the inner cities. We intend to make a 10% increase in the funds available for derelict land schemes. In order to obtain the maximum value for money and its active participation of the private sector the Government propose in inviting bids from local authorities to give priority to those schemes offering an early prospect of matching investment by the private sector, whether for housing, factories or commercial use.

3rd ?

[The Government also wishes to give every incentive to local authorities to make full use of grants for this purpose. We accordingly intend to relax the previous rules so that over the next two years authorities will no longer have to repay all profits on these schemes to the Exchequer but will instead be able to use some of them to finance further investment.]

[The House will realise that the various programmes to which I have referred have been dealt with up to now in individual cash blocks. From now on, in order to ensure the most relevant and effective use of the available funds we now propose to include the Urban Programme, Derelict Land Grants and Urban Development Corporation funds in the same cash block.]

Regional Policy (2)

Prime Minister

Mrs 24/11

Treasury Chambers, Parliament Street, SW1P 3AG

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

24 November 1981

Dear Michael

PRIVATE SECTOR FINANCE FOR THE WATER INDUSTRY

You asked us to consider the proposal in your letter to Geoffrey Howe of 19 November about private sector finance for a sewage treatment works to clean up the Mersey.

I have considerable sympathy with the intention behind your proposal and would certainly not rule it out in principle. I do have some reservations about the substance of the proposal, however. If the scheme is not to appear as a crude mechanism for evading our own expenditure controls, then the financing arrangements must be such that the whole risk of the project is borne by the consortium. Given the physical characteristics of the scheme, with the Water Authority obliged to use this treatment plant, I cannot immediately see how that can be arranged. But I am very willing to let my officials pursue this further with yours and with the North West Water Authority, to see whether it is possible to devise an acceptable basis. But I must ask that any public references to the scheme should be cleared with me, as we would need to make it quite clear the project would not go ahead without the full support of the Water Authority or if finance could not be attracted on an acceptable basis.

I am copying this letter to the Prime Minister and to Patrick Jenkin.

Yours ever
Leon

LEON BRITTAN

Prime Minister

MCS 20/11

(2)

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: Reg Pol

Your ref:

19 November 1981

Dear Geoffrey

I have been considering the problems of the River Mersey which I referred to in my report to colleagues in August following my stay in Merseyside during the summer. You will be very familiar, from your own political experiences, with the consequences that flow from pumping 80 million gallons a day of untreated sewage into this river. The North West Water Authority (NWWA) has outline plans to improve the quality of the river and has recently resolved to embark on their first phase. But capital expenditure on cleaning up the Mersey will have to compete with the other pressures on the NWWA's programme which NWWA have put at £120 million for the next 20 years at 1980 prices, notably the need to replace worn out Victoria sewers. So the first phase of the Mersey estuary programme is expected to extend over 15 years. At this rate it will make no significant impact until the end of the century.

I am therefore interested to accelerate this improvement by finding an alternative solution which would involve using private sector resources and which would be consistent with the ideas you put in your recent letter to Patrick Jenkin about privatisation and the gas industry.

The sort of scheme I would like to explore would take the form of the NWWA letting a contract to a private consortium which would build and operate a major new sewage treatment plant and associated capital works. The first liability of the NWWA would arise on the completion of the works and would be calculated at a rate per unit of sewage treated to a defined standard. There would have to be a formula for calculating this unit rate which allowed a profit for the consortium. The NWWA would raise the money to pay through its normal rating and charging processes.

My officials from the Department's Water Directorate will be pursuing this with the NWWA and will be reporting to me on how this could be taken forward. You may like your officials to join them.

I look forward to hearing your views on this proposition; and in view of general issues which this matter raises I am copying this letter to the Prime Minister and to Patrick Jenkin.

Yours ever

MICHAEL HESELTINE

Rt Hon Sir Geoffrey Howe QC MP

PART 2 ends:-

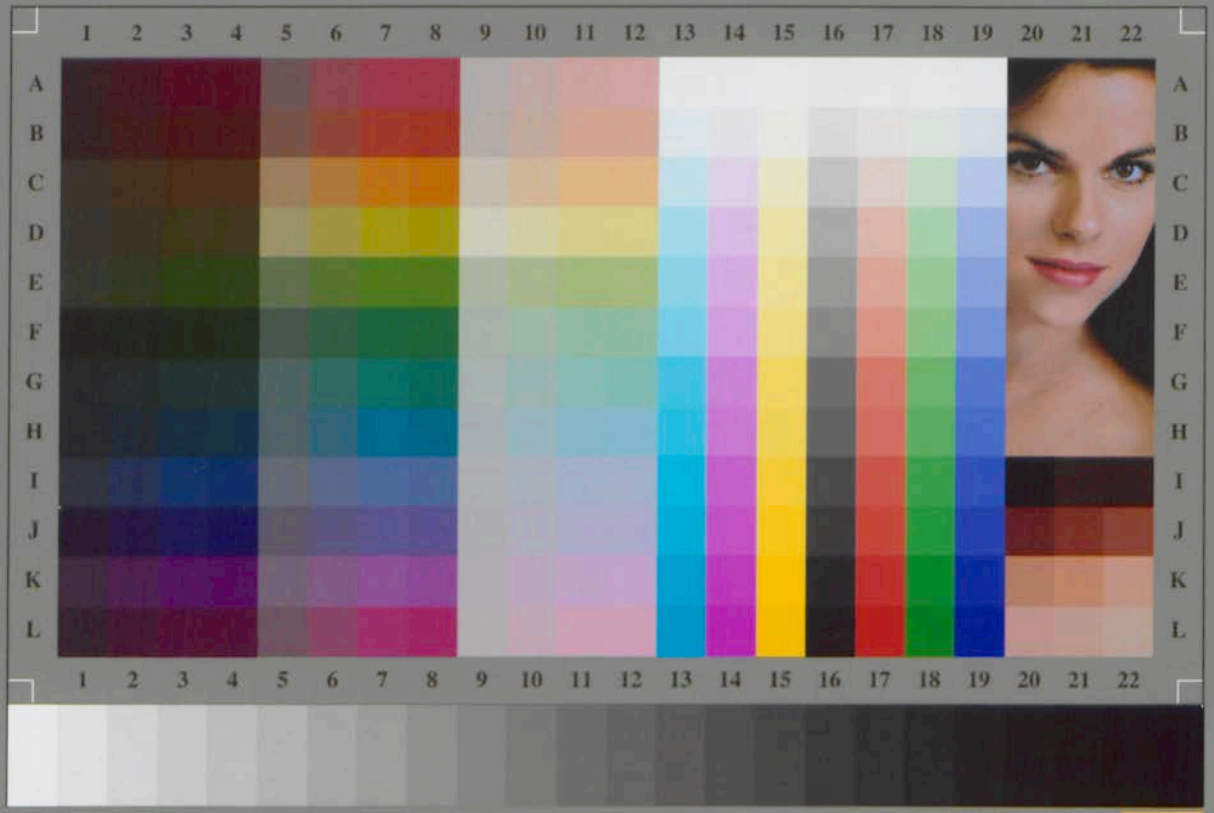
20.10.87

PART 3 begins:-

19.11.87

KODAK Q–60 Color Input Target

C M Y



IT8.7/2–1993
2007:03

FTP://FTP.KODAK.COM/GASTDS/Q60DATA

Q-60R2 Target for
KODAK
Professional Papers