PREM 19/1921

PART 8

SECRET

MT

NEW FILE COVER

CONFIDENTIAL FILING

Inner Cities Policy and Problems
Regeneration of Liverpool and London Docklands
Urban Development Corporation

REGIONAL POLICY

PT 1: July 1979

PT8: February 1986

In attached folders:
① London Docklands Development Corporation Review 85/86
② Information on South Cardiff Waterfront

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
29.11.86							
PART ENDS							

PREM 19/1921

PART 8 ends:-

Pay. Gen to PM: undated.

PART 9 begins:-

Welsh office to DRN 2.12.86.

PAYMASTER GENERAL

PRIME MINISTER

SOUTH CARDIFF URBAN RENEWAL

I am unable to attend E(A) on Monday and would like to make a couple of points on Nick Edwards' proposals. I would like to support his proposals as an example of the Government proving its ability to get things done in depressed inner city areas in a way which creates employment, including jobs based on tourism and leisure industries.

I sympathise with some of the Chief Secretary's arguments about financing - indeed an overt indication that significaant public sector funding would be available could create some difficulties in inner city areas in England. But, it is surely not necessary to support the concept of the barrage publicly only on the strict condition of full private sector financing. The Channel Tunnel precedent is not going to be applicable to every worthwhile major capital project in our inner cities. One of the purposes of UDCs is to exert leverage on private sector finance, but some public sector funds will sometimes have to be there initially to exert that leverage.

I favour an early announcement of these proposals because of the long timescale of the project. It is important to show some progress on the ground to demonstrate the UDCs provide a way of getting things done without excessive red tape and delay. I hope that when we take these matters out of the

hands of local authorities, we will not allow our own Central Government procedures to cause delay and excessive caution in the face of good innovative proposals for development.

I hope that the announcement of the UDC and the barrage can proceed without excessive emphasis on the limits on the public sector funding available.

I am sending copies of this minute to members of E(A) and to John Wakeham, Richard Luce and Sir R Armstrong.

pp. KENNETH CLARKE
[Approved by the Minister
and signed in his absence]

DM/23

CONFIDENTIAL

PM seen.

CABG

PRIME MINISTER

SOUTH CARDIFF URBAN RENEWAL

I am unable to attend E(A) on Monday and would like to make a couple of points on Nick Edwards' proposals. I would like to support his proposals as an example of the Government proving its ability to get things done in depressed inner city areas in a way which creates employment, including jobs based on tourism and leisure industries.

I sympathise with some of the Chief Secretary's arguments about financing - indeed an overt indication that significaant public sector funding would be available could create some difficulties in inner city areas in England. But, it is surely not necessary to support the concept of the barrage publicly only on the strict condition of full private sector financing. The Channel Tunnel precedent is not going to be applicable to every worthwhile major capital project in our inner cities. One of the purposes of UDCs is to exert leverage on private sector finance, but some public sector funds will sometimes have to be there initially to exert that leverage.

I favour an early announcement of these proposals because of the long timescale of the project. It is important to show some progress on the ground to demonstrate the UDCs provide a way of getting things done without excessive red tape and delay. I hope that when we take these matters out of the

CONFIDENTIAL

PAYMASTER GENERAL

hands of local authorities, we will not allow our own Central Government procedures to cause delay and excessive caution in the face of good innovative proposals for development.

I hope that the announcement of the UDC and the barrage can proceed without excessive emphasis on the limits on the public sector funding available.

I am sending copies of this minute to members of E(A) and to John Wakeham, Richard Luce and Sir R Armstrong.

pp. KENNETH CLARKE
[Approved by the Minister
and signed in his absence]

SOUTH CARDIFF: DRAFT SPEECH

"On the basis of the ~~engineering studies~~ [illegible] [illegible], present cost estimates and the advice so far received, we believe that the barrage concept is right and is capable of creating a major development opportunity. The first task of the UDC will, therefore, be to take the project forward by carrying out further technical work and financial appraisals to examine the options for obtaining the greatest possible contribution by the private sector to the costs of the necessary infrastructure in South Cardiff, including the barrage. Given a successful outcome to these studies it will be necessary to seek Parliamentary approval. The earliest date at which a Bill could be introduced would be 1988 and construction of a barrage is expected to take about three years so that it might be possible to have the barrage in place early in the 1990s."

O/F file CJ
cc DOE
Tsy
D/Trans

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

29 November 1986

Dear Mr. Bradman,

Thank you for your letter of 21 November which I was very glad to receive.

You will be pleased to know that we have agreed to the deposit by London Regional Transport of the Bill for the Eastern Extension of the Docklands Light Railway. We did so on the basis of an assurance by the London Docklands Development Corporation that in their view the project could go ahead with no expectation of Government contribution to LRT's capital or running costs. We shall want to see, before the Bill proceeds to Second Reading, the specific arrangements which the LDDC can make to secure that there would be no significant risk that any of the costs would fall as a burden on LRT. The Government cannot commit itself to an extension without being fully satisfied that no additional public expenditure will be required.

In this context I do very much welcome your confirmation that you will work with the LDDC with the object of ensuring that adequate funds are provided to enable the Eastern Extension to the railway to be funded.

The prospect of redevelopment of the East India and Royal Docks really is most exciting. But I am sure you will

KB

understand the conditions which the Government must attach to public sector involvement. This is an opportunity for private enterprise to show what it can achieve.

Yours sincerely

Margaret Thatcher

Godfrey Bradman, Esq.

cc B/UP
cc BS

P 02382 CONFIDENTIAL

PRIME MINISTER

South Cardiff Urban Renewal
(E(A)(86) 57 and 58)

DECISIONS

1. The main issue is the terms in which the Secretary of State for Wales announces the possibility of constructing a barrage across Cardiff bay.

2. Given the late circulation of papers (despite the earlier exchanges of correspondence) it would have been better to postpone discussion until later next week. But the Welsh Office have represented strongly that decisions must be made on Monday. if the Secretary of State's proposed announcement on 5 December is to be properly prepared. We have therefore reluctantly accepted that the meeting should proceed on Monday morning.

BACKGROUND

3. The Welsh Office now have the results of a feasibility study for the redevelopment of South Cardiff. These have indicated that there is substantial potential for private sector development, and a number of potential developers are interested. A key part of the development would be a barrage across the river Taff to turn tidal salt flats into a fresh water lake which will provide an attractive heart to the development.

4. The Welsh Secretary wishes to announce on Friday 5 December that the Government has decided to establish a UDC to carry forward the development of the area in conjunction with the local authorities and other agencies. The Chief Secretary, Treasury and the Minister of State, Privy Council Office do not object to the UDC itself. The Secretary of State wants also, however, to

~~the UDC itself. The Secretary of State wants also, however, to~~ go further and announce his firm support for the construction of the barrage, which he regards as essential to the success of the UDC. This is not acceptable to the Treasury.

Case for the Barrage

5. The Chief Secretary quite rightly argues that since the barrage is a major capital project, and could involve a large and open-ended public expenditure liability there should be no Government commitment until a full analysis of alternative options and of the costs and benefits has been carried out. He would, however, be content for the Government to indicate that it will proceed, provided that its costs are met in full from private sources. The case would then be tested by the markets.

6. The Welsh Secretary on the other hand regards it as vital to give a very positive steer in his announcement. The feasibility study has been underway for the last 12 months, and he believes that there must be a public commitment to the concept if his announcement is to be regarded as progress. The fact is also that he now regards himself as fully committed personally to the barrage. He is, however, content to make it clear that he will be looking for private sector involvement in the whole development, including the barrage.

7. Essentially, what is now required is a form of words which is sufficient to give the project momentum and create the necessary conditions of confidence while not prejudicing unduly the Treasury's position. The Chief Secretary has circulated an alternative draft, with two variations, but this has not bridged the gap. The precise wording will have to be settled by the two Departments concerned outside the meeting, but you will want the Committee to give them a clear steer. If you should wish to take the matter further in detail at the meeting, the attached formula might be worth trying. It is more positive than the Chief Secretary's alternative, but would still avoid any specific

commitment to public expenditure.

Other Issues

8. Two other issues have emerged in correspondence. First, the development might fall foul of the European Community Directive on Wild Birds, which seeks to limit development in areas of special significance for rare birds. This seems likely to impose quite stringent conditions for development in the areas concerned. The Taff estuary is a strong candidate for designation. This is an important environmental issue and it is important that the Welsh Office are sensitive to this point, and that there should be proper coordination with the Officials of DOE and the Law Officers, who are about to advise on the implications of the directive for UK planning law.

9. Second, legislation will be required to authorise the construction of the barrage. The Welsh Office must consult closely with the Business Managers over the timetable and Parliamentary implications of this. Mr Edwards is seized of this point, but the Business Managers may wish to register it at the meeting. (The Lord President is attending because of this aspect.) It is possible that a local Bill promoted by Cardiff City Council may prove simpler than a hybrid Bill for which the Government would be repsonsible.

HANDLING

10. You will wish to invite the Welsh Secretary to introduce the discussion, and the Chief Secretary, Treasury to respond. The Secretary of State for the Environment and the Lord President of the Council will wish to speak on thier particular interests.

J B UNWIN

Cabinet Office
28 November 1986

Suggested Alternative formula

The Secretary of State has made clear that he supports the concept of the barrage. Precise arrangements for its construction and financing will fall to be settled alongside those for other aspects of the Corporation's development plan, once the necessary studies have been undertaken and the role of the private sector has been determined.

PRIME MINISTER

CARDIFF BARRAGE

Mr. Edwards and the Treasury are now I think quite close to agreement.

Mr. Edwards' case for making any kind of commitment this week is extremely weak on its merits, though he has clearly got himself way out on a limb from which he will find it well nigh impossible to retreat. The barrage is apparently known in Wales as "Edwards' barrage".

Mr. Edwards argues that the scheme has been thoroughly discussed. It is true that two large reports have been produced. But they are thin and superficial:

(i) the report by the Consulting Engineers says: 'the studies carried out for the purpose of this report have been entirely desk studies based on information already available, and the conclusions and estimate of cost can only be regarded as tentative'. The discussion of the cost runs to just over one side of paper. There is no analysis of risks or uncertainties;

(ii) the report by Jones Lang Wootton, the company which analysed the projects's development potential, describes its own figures as 'simplistic' and says: "we are required to 'fast track' the study and to reach conclusions and judgments within a period of four months. It was therefore accepted that much of the analysis would, of necessity be fairly superficial and that our conclusions would be preliminary".

Other uncertainties have emerged in the last few days during Ministerial correspondence:

(iii) the Solicitor-General has advised that we need to be sure that we would not be in breach of our legal obligations under the Community Directive on the Conservation of Wildlife and Birds;

(iv) the business managers are doubtful about the legislative implications;

(v) John Moore has pointed to uncertainties about the size and cost of a lock which will be needed in the barrage, to similar uncertainties about a new bridge, and to additional dredging costs 'which could be extensive'.

We are in danger here of another public sector folly. The barrage is technically the most difficult part of the project and it is not easy to see how the private sector could be persuaded to take the risks with the rewards. Unlike Dartford or the Channel Tunnel there are no tolls which could reward the private sector for building the barrage. And it is not clear on what basis developers of land around the lake would be induced to provide finance for it. They would in any case know that Mr. Edwards is firmly committed to the project: if they hold back they can be sure Mr. Edwards will feel obliged to provide the money.

Mr. Edwards' enthusiasm will ensure that that will be the case. If E(A) agrees to the "concept" of a barrage (I am not clear what the difference is between agreeing a "concept" and agreeing a "project") he plans a great media event on Friday next week, with interviews, lavish briefing packs and the full media treatment. The Government will be on the hook.

The words used by Mr. Edwards in his speech and in interviews afterwards are therefore most important.

The latest position is set out in the note by the Treasury, attached. Mr. Edwards would be prepared to accept the passage in quotes in paragraph 3. The manuscript amendments are changes which Robin Butler has recommended to the Chief Secretary. The paragraph as amended is, I think, acceptable. However, Mr. Edwards should also agree the remainder of this part of his speech with the Treasury: there should be no difficulty on that.

Julie Bowers
Duty Clerk
pp DAVID NORGROVE

We must not be committed - the scheme just hasn't been worked out enough and I fear a elaborate expensive presentation will be seen to be premature

28 November 1986

SLHACK

MT

2327/2

CONFIDENTIAL

FROM: M C BETENSON
DATE: 28 November 1986

1. MR HAWTIN 28/11
2. MR F E R BUTLER
3. CHIEF SECRETARY

I believe that you would accept a formula on the lines in para 3 with the amendments I have indicated.

FERB 28.11.

cc Chancellor
Financial Secretary
Economic Secretary
Minister of State
Sir P Middleton
Mr Anson
Miss Peirson
Mr Instone
Mr Norton
Mrs Holmans
Mr Legg
Mr Cropper
Mr Ross Goobey
Mr Tyrie

Copies of the relevant pages from the technical survey and the Jones Lang Wootton report are attached to the brief.

SOUTH CARDIFF URBAN RENEWAL

I attach a briefing note for the E(A) meeting on 1 December which will be taking papers from yourself and Mr Edwards.

2. The briefing suggests the fallback, not floated in your paper, of allowing Mr Edwards to make an initial commitment to a Cardiff barrage providing he makes clear that he reserves the right of the Government to reconsider the commitment should further feasibility studies prove unfavourable or should private finance not be forthcoming. This fallback should only be offered if Mr Edwards has clearly won the main argument.

This is a last-ditch fallback and should not be necessary if the Welsh Office were already offering the words in para 3.

3. We understand that No.10 have been exploring possible compromises with the Welsh and that the Welsh Office have offered the following form of words for an announcement:

> "On the basis of the engineering studies so far undertaken, present cost estimates and the advice so far received we believe that the barrage concept is very promising [right] and is capable of creating a major development opportunity. The first task of the UDC will be to take the project forward by carrying out the necessary further technical work and financial appraisals and to examine the options

for obtaining the greatest possible contribution by the private sector to the costs of the necessary infrastructure in South Cardiff, including the barrage. If the outcome of those further studies confirms that a barrage should be built If a barrage is to be built, a Bill will be introduced....".

PS/Mr Edwards thinks that they would also accept a caveat to the effect that, "Given a successful outcome to these further studies a Bill would...." or words to that effect.

I suggest working in this thought in the formula above: we want to keep the idea of "If a barrage is to be built" ...

4. This form of words represents an advance but would not sufficiently safeguard your position. However, should Mr Edwards float it at the meeting and colleagues appear willing to accept you could seek to obtain their agreement to some further exchanges between Welsh Office and Treasury officials on precise wording.

Mark Betenson

M C BETENSON

NBPM.

PRIME MINISTER 28 November 1986

SOUTH CARDIFF URBAN RENEWAL

The proposal for a UDC in Cardiff was raised at your meeting on 21st July when you said Wales should not receive any more money and Mark Robinson stated that the money for the UDC would be found from their own resources. We put in a small brief to you on 7 November (Appendix 1). Now:

1. Nicholas Edwards is enthusiastic to announce a UDC on 5 December. He does not commit the Government directly to fund the Cardiff barrage but it is unclear how it will be funded. Welsh Office officials say the barrage project would cost about £50 million and a substantial (but unquantified) part could be privately funded. The UDC would cost an additional £50 million.

2. John MacGregor complains that Wales has not provided sufficient details nor argued its case about private funding adequately. Discussion this week between Departments identifies the nub of the remaining problem, namely: if Nicholas Edwards commits the Government too strongly, private funds may not be forthcoming to fund the barrage.

3. John Biffen and Patrick Mayhew warn that conservationists may complain. But the Green Lobby should on balance be pleased by this proposal. Moreover some allowance can be

made for birds say the Welsh Office. This should satisfy European obligations under the Directive on Wild Birds.

4. Nicholas Ridley and Paul Channon support the proposal.

5. The Lord President and John Biffen are worried about the mechanics of legislation, but this can be overcome.

6. Richard Luce supports the proposal for another Quango but asks if anything else could do the job better. The contenders are the Welsh Development Authority and the Local Authorities. In the case of the former: the Cardiff Docks scheme is too big for it. In the case of the second all three local authorities want a UDC.

Private Funding

The Welsh Office do not think commercially. However, under cross examination, their experts say that the barrage could be widened for £4½ million to provide 30 acres of commercial saleable land on the top worth in excess of £8 million. A lease could be sold for a light railway. No-one has any idea what this could be worth, probably not more than a few million. In addition, the UDC could acquire about 200 acres of dockland for about £30,000 per acre and sell it for £250,000 an acre, yielding £50-60 million. They stress these figures are highly conjectural. We need assurance that private sector funding is forthcoming but unless something is announced nothing can be sought! We are profoundly doubtful that private money will be forthcoming.

But do we already own the land?

Conclusion

This is an unusual application for a UDC. There is no failure by a local authority. Instead South Glamorgan Council, Cardiff City Council, and the Vale of Glamorgan Council feel their powers are inadequate! The new corporation would also bring together the Welsh Water Authority and the British Ports Authority.

The strength of the case in principle was demonstrated to us on a recent visit and appears in Nicholas Edwards' draft statement. The financial details needed by Treasury must be forthcoming even if Wales keeps to its word to fund the project from its own resources. However, private sector commitment cannot be ascertained until an announcement is made. We recommend that you consent to a UDC in Cardiff, on condition

(1) That the projected costs are much more clearly identified.

(2) That the UDC is 80% funded privately.

(3) That the remaining 20% is found from the existing Welsh budget and that the actual source of this money is found.

HARTLEY BOOTH

CONFIDENTIAL

CC BK

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

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

28 November 1986

Dear Nick.

SOUTH CARDIFF URBAN RENEWAL

FILE WITH DN

Thank you for sending me a copy of your recent minute to the Prime Minister.

I welcome your proposal to establish a UDC and the plan for a barrage across the river mouths. On the issues raised by John MacGregor I cannot comment. On the barrage, I note that the intention is that its northern end would be landward of the main entrance to the Cardiff docks, thus leaving them open to the sea. However, perhaps I should register now some subsidiary but potentially awkward questions that will need to be addressed. There will presumably still need to be a lock in the barrage for other shipping; the balance between size and cost may be difficult to strike. A similar question will arise on the new bridge that is envisaged. It will also be necessary in due course to decide who should bear the costs of the additional dredging costs that are likely to arise as a result of the construction of the barrage, and which could be extensive.

I was slightly surprised that your paper seemed to make no reference to the Cardiff Freeport. I know it has been slow to get off the ground, but presumably some thought has been given as to how it will mesh in with the UDC's remit.

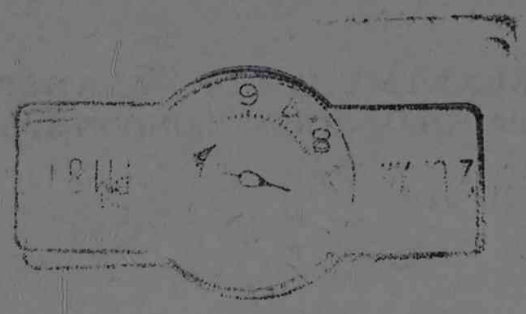
I am sending copies of this letter to the members of E(A), William Whitelaw, John Wakeham, Richard Luce, and Sir Robert Armstrong.

Yours
John

JOHN MOORE

CONFIDENTIAL

RGG 701 Lower Cuts PT8



CCBC

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

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

The Rt Hon Nicholas Edwards MP

28 November 1986

Dear Willie

SOUTH CARDIFF URBAN RENEWAL

FILE WITH DN

Thank you for your letter of ~~24~~ November about my proposals for South Cardiff.

I recognise the need to let members of QL have details of the legislative implications of my barrage proposal as soon as possible. The options for the Bill to construct the barrage are still open but it seems clear that it will be either a Hybrid Bill brought forward by my Department or a Local Bill promoted by the South Glamorgan County Council. My recent experience of Hybrid Bills with the Conwy Tunnel Act make me fully aware of the importance of carefully thinking through from the start the legislative timetable of such a Bill.

The County Council have offered to promote a Bill, but before entering into detailed discussions with them I thought it only right that we should decide on the concept of a barrage. Once that decision is taken, following our discussion in E(A) on 1 December, and I have considered the options further in discussion with the County Council, I will put my proposals to QL very quickly. However, should it prove desirable to opt for a Hybrid Bill I would hope that the very sparse use I have made of legislative time would allow it to be given a fair wind.

I am copying this to the Prime Minister, members of E(A), the Chief Whip, Richard Luce and Sir Robert Armstrong.

Yours ever

Nick

The Rt Hon Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1A 2AT

ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

01-936 6407

Received 28 November

The Rt. Hon. Nicholas Edwards, MP,
Secretary of State for Wales,
Welsh Office,
Gwydyr House,
Whitehall,
LONDON, SW1A 2ER.

November 1986

Dear Nicholas:

SOUTH CARDIFF URBAN RENEWAL

I am grateful to your private secretary for sending me a copy of your minute to the Prime Minister of 13 November on this subject.

I have not, of course, been involved in consideration of the re-generation scheme you propose, but I am prompted to write by your reference (in paragraph 7 of the note attached to your minute) to the possible impact of the Community Directive on the conservation of Wild Birds. The Lord Advocate and I were asked to consider a number of questions of interpretation of this Directive, and we gave our Opinion at the end of October, expressed as being in draft form in order to give Environment Departments an opportunity to comment before it was finalised. I understand that your officials have received a copy of my Department's letter setting out our views: no suggested alteration has been put to us.

I fully accept that the development you propose will bring very great economic and social benefits to Cardiff and elsewhere in South Wales. I am concerned, however, that before steps are taken which could have an effect on any wild birds which are the subject of the Directive we must be satisfied that our obligations under the Directive, which I emphasise are legal obligations, will be fulfilled. We ought to be clear that we can meet a challenge from the Commission should one arise, otherwise there is a risk that a great deal of work may come to nought.

/Cont'd.....2

J

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

Yours ever,

Patrick

J

Inner Cities: Regional Pol.

Pt 8.

Personal

File

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

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

27 Nov.

Dear Prime Minister.

I think it would be wrong to let you take the chair at Monday's meeting of E(A), which will discuss the Cardiff project, without warning you that there is a serious disagreement between the Chief Secretary and myself on a subject that I regard as of major importance. If agreement cannot be reached I

will find myself in a position of very great difficulty. I would, of course, be very ready to discuss this problem with you before Monday's meeting.

Yours ever

Neil

010

CUBP

P 02378

From: J B UNWIN
27 November 1986

NBPM

MR ADDISON - NO 10

DOCKLANDS LIGHT RAILWAY - EASTERN EXTENSION

with MEA

This is to confirm that I am content with the draft letter for the Prime Minister to Mr Bradman submitted to you with Richard Allan's letter of 26 November.

2. I think that this draft, and the two letters already sent by the Secretaries of State to the LRT and LDDC, are consistent with the conclusions reached by E(A) on 24 November. They are less explicit than Ministers discussed on the assurances that will be necessary on the Western extension before the Government can support the new Bill at Second Reading. But this is prudent in order to avoid weakening the Government's negotiating position by putting excessive stress on a specific timetable for the outstanding westward extension issues.

J B UNWIN

Cabinet Office

10 DOWNING STREET

PRIME MINISTER

This letter reflects letters sent by Mr Ridley and Mr Moore to LPDC and LRT.

Amanda Ross

RS DAVID NORGROVE

26 November 1986

cc BGA

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

Mark Addison Esq
Private Secretary
10 Downing Street
LONDON SW1

26 November 1986

Dear Mark,

DOCKLANDS LIGHT RAILWAY - EASTERN EXTENSION

Thank you for your letter of 21 November which enclosed a copy of the letter from Mr Godfrey Bradman to the Prime Minister about the Docklands Light Railway.

When these matters were discussed by Ministers on Monday 24 November, it had been contemplated that the Prime Minister might send to Mr Bradman copies of the letters to the Chairmen of LRT and LDDC. I enclose copies of the letter Mr Moore has written today to the Chairman of LRT, and of Mr Ridley's letter (written in similar terms) to the Chairman of the LDDC: both letters have been agreed with the Chief Secretary. However, as these letters necessarily cover matters going beyond the interests of Mr Bradman's company, my Secretary of State believes their contents should not be disclosed to Mr Bradman in full.

I am accordingly offering a draft reply for the Prime Minister to send to Mr Bradman which incorporates the relevant passages from the letters to the Chairmen.

I am sending copies of this letter, and of the enclosures, to Jill Rutter (Chief Secretary's Office), Brian Leonard (DOE) and Brian Unwin (Cabinet Office).

Yours,

Richard.

R A ALLAN
Private Secretary

DRAFT LETTER FROM THE PRIME MINISTER TO
GODFREY M BRADMAN ESQ, ROSEHAUGH STANHOPE DEVELOPMENTS PLC
53-55 QUEEN ANNE STREET, LONDON W1M 0LJ

LONDON DOCKLANDS

Thank you for your letter of 21 November which I was very glad to receive. Fascinating

You will be pleased to know that we have agreed to the deposit by London Regional Transport of the Bill for the Eastern Extension of the Docklands Light Railway. We did so on the basis of an assurance by the London Docklands Development Corporation that in their view the project could go ahead with no expectation of Government contribution to LRT's capital or running costs. We shall want to see, before the Bill proceeds to Second Reading, the specific arrangements which the LDDC can make to secure that there would be no significant risk that any of the costs would fall as a burden on LRT. The Government cannot commit itself to an extension without being fully satisfied that no additional public expenditure will be required.

In ~~regard to~~ this context I do very much ~~I greatly~~ welcome your confirmation that you will work with the LDDC with the object of ensuring that adequate funds are provided to enable the Eastern Extension to the railway to be funded.

~~Here I find the proposals for~~ The prospect of redevelopment of the East India and Royal Docks really ~~are~~ is most exciting. But I am sure you will understand ~~that the Government must attach~~ the conditions ~~to the its own involvement~~.

which the Government must attach ~~to~~ to public sector involvement. This is an opportunity for private enterprise to show what it can achieve.

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

Christopher Benson Esq JP FRICS
Chairman
London Docklands Development Corporation
West India House
Millwall Dock
LONDON
E14 9TJ

26 November 1986

Dear Christopher

Thank you for your letter of 20 November in which you supported the case for the deposit of a Bill for the eastern extension of the Docklands Railway.

The Secretary of State for Transport has now informed LRT that he is content for them to deposit the Bill. It is important for you to know, however, that the Government has agreed to this on LDDC's assurance that the project could go ahead with no expectation of a Government contribution to the capital or running costs of the Railway. I should make it clear that our agreement to depositing the Bill does not commit the Government to support at Second Reading. We shall want to see, before the Bill proceeds to Second Reading, the specific arrangements which LDDC can make to secure that there would be no significant risk that any of the costs would fall as a burden on LRT; and we shall want to set this in the context of a full financial and economic appraisal of the railway project. I shall also want to examine the project in the context of the overall strategy for Docklands, following my earlier request to you to examine some alternative development scenarios for the Royal Docks area in particular. The Government cannot commit itself to an extension without being fully satisfied that the costs of construction would be met without any additional public expenditure in any year.

The Secretary of State for Transport has written in similar terms to the Chairman of LRT - and in his letter, a copy of which I attach, he has also pointed to the need for an early resolution of the outstanding issues on the westward extension.

Yours ever

Nicholas

NICHOLAS RIDLEY

REGIONAL POLICY: Inner Cities : PE 8

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

Dr K Bright
Chairman and Chief Executive
London Regional Transport
55 Broadway
LONDON
SW1H OBD

24 November 1986

Dear Keith,

DOCKLANDS LIGHT RAILWAY - EASTERN EXTENSION

Thank you for your letter of 17 November about the Bill for the proposed eastern extension of the Docklands Light Railway. You explained that it is not possible for LRT to fund this.

The Government has been assured by the London Docklands Development Corporation that in their view the project could go ahead with no expectation of Government contribution to your capital or running costs. We shall want to see, before the Bill proceeds to Second Reading, the specific arrangements which the LDDC can make to secure that there would be no significant risk that any of the costs would fall as a burden on LRT; and we shall want to see this set in the context of your full financial and economic appraisal of the railway project.

At the same time we look forward to an early resolution of the outstanding issues on the westward extension and we shall want to review the situation with you if that is not achieved before Second Reading.

On this basis I am content for you to deposit the Bill for the eastern extension.

The Secretary of State for the Environment has written in similar terms to the Chairman of the LDDC: I attach a copy of that letter.

Yours
John

JOHN MOORE

CCBJ

Y WYDDFA 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

26 November 1986

CONFIDENTIAL

NBPM at this stage.

Dear Chief Secretary

Thank you for your letter of 25 November. I am grateful for your agreement to the announcement of the UDC. with DRN?

I am glad too that you are not opposed in principle to my "imaginative proposals for South Cardiff". However, I do not believe that it is feasible to make an announcement "without commitment of any kind" to the barrage or simply to "express support for the concept of a barrage" only on the basis of "full private financing of the project". I can hardly fail to express support for a proposal I personally have carried forward publicly and that has been the subject of detailed and prolonged consultation with a very broad and expert cross-section of the property and financial world on both sides of the Atlantic, as well as with local government in South Wales. As a result of these consultations I have no doubt whatsoever that the barrage proposal is fundamental to the successful development of South Cardiff. Without a clear statement to this effect we will blow the whole project out of the ground. I believe I have been able to create a major opportunity and it would be tragic if we now have to throw it away. I am very happy to leave open the method of financing, which has been one of the principal subjects about which we have been consulting. Nobody could be more eager than I to get the maximum private sector funding of the essential infrastructure, of which the barrage is but one necessary element. I am very happy to include in my speech some sentences about our further exploration of the possibilities. However, one outcome of these further explorations may be that Government funding of the barrage will be the best way of achieving the lowest possible public sector funding of the other infrastructure and the lowest total Government

/expenditure. It is ...

The Rt Hon John MacGregor OBE MP
Chief Secretary
HM Treasury
Parliament Street
London
SW1P 3AG

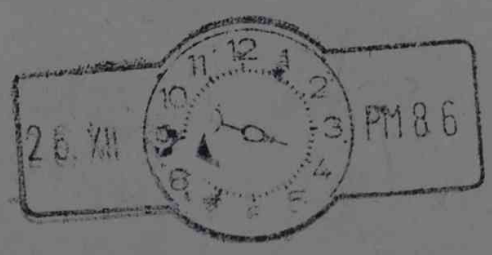
expenditure. It is, however, only if we make the commitment to the concept that it is possible to go forward to seek bids and proposals from potential developers. Of course I am only too willing to consider drafting amendments before E(A); I see no difficulty about inserting the necessary qualifications with regard to legislation. What I fear is impossible is to proceed successfully without a clear statement that it is our firm aim to see a barrage constructed. One of the first tasks of the new UDC will be to carry out detailed financial and engineering appraisals with a view to obtaining the maximum private funding for the infrastructure that will be required in South Cardiff, including the barrage, taking full account of Government experience elsewhere, eg in respect of the Dartford Crossing.

I am copying this letter to the Prime Minister, other members of E(A), John Wakeham, Richard Luce and Sir Robert Armstrong.

Yours sincerely

R. C. Williams

Approved by the Secretary of State
and signed in his absence


26. XII
PM 8 6

008/2985

CONFIDENTIAL

cc PSG

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales
Welsh Office
Gwydyr House
Whitehall
London
SW1A 2ER

NBM

26 November 1986

Dear Nick,

SOUTH CARDIFF URBAN RENEWAL

attag.

Thank you for your letter of 24 November.

Let me make clear at the outset that I am not opposed in principle to the establishment of the UDC or to your imaginative proposals for South Cardiff. But as matters stand, we do not have firm and tested assumptions about construction costs of the barrage and possible overruns, and the assessment of the benefits appears speculative. I understand you have not as yet employed financial consultants to evaluate the risks of the project both in terms of costs and of receipts which might in part finance them.

I accept and welcome the fact that you do not rule out private finance for the barrage. But given the lack of any agreement on that and the absence of firm costings, it would be most unwise to suggest either explicitly or implicitly that the Government is committed to the construction of the barrage unless you are prepared to insist that it is financed wholly from private sources. Such a commitment would pre-empt any judgement of the financial issues and would prejudice our negotiating position in seeking to attract private finance. Even a statement of general backing for the concept, unless couched in guarded terms, would risk building up a political head of steam behind the project which would be very difficult to reverse were the subsequent appraisal to demonstrate that the proposal was going to be much more expensive than presently thought or represented poor value for money.

I do, however, recognise the importance that you attach to maintaining the momentum behind South Cardiff redevelopment generally and your desire to announce significant progress in your speech next week. Because of this I would be prepared to agree to the announcement now of a UDC provided it was made clear

that its task in relation to the barrage would be to assess the proposal further without commitment of any kind. This would represent a significant advance on the present position and would enable the private sector to come forward with detailed proposals for evaluation. You could then still express support for the concept of a barrage by making clear that the Government would look favourably on proposals which included full private financing of the project.

Perhaps, before the E(A) discussion, we might consider further the terms in which an announcement along these lines might be couched. The references to the barrage would need to be much less prominent than in the draft speech attached to your letter of 24 November. The legislative issues which Willie Whitelaw raises in this letter to you of 24 November also need to be considered before the discussion. Following your announcement of the UDC, I would certainly be prepared to ask my officials to work up urgently with yours and with an embryo UDC investment appraisals of private development proposals with a view to taking a decision on the barrage over the next few months.

I am copying this letter to the Prime Minister, other members of E(A), John Wakeham, Richard Luce and Sir Robert Armstrong.

Yours ever,

JM

JOHN MacGREGOR

REGIONAL POLICY Inner Cities PT8

PRIME MINISTER 24 November 1986

SOUTH CARDIFF URBAN RENEWAL

The proposal for a UDC in Cardiff was raised in July at your meeting on 21st July when you said Wales should not receive any more money and Mark Robinson stated that the money for the UDC would be found from their own resources. We put in a small brief to you on 7 November (Appendix 1). Now:

1. Nicholas Edwards wants to announce a UDC on 5 December. He does not directly commit the Government to fund the Cardiff barrage but it is unclear how it will be funded. Welsh Office officials say the project would cost about £50m and a substantial (but unquantified) part could be privately funded.

2. John MacGregor complains that Wales has not provided sufficient details and argued his case adequately. Welsh Office are completely taken by surprise by this. They describe his view as an 'exocet' and feel their research by Jones Lang Wootten was enough.

3. John Biffen warns that conservationists may complain. But the Green Lobby should on balance be pleased by this proposal.

4. Nicholas Ridley and Paul Channon support the proposal.

5. Richard Luce supports the proposal for another Quango but asks if anything else could do the job better. The contenders are the Welsh Development Authority and the Local Authorities. In the case of the former: the Cardiff Docks scheme is too big

for it. In the case of the second all three local authorities want a UDC.

Conclusion

This is an unusual application for a UDC. There is no failure by a local authority. Instead South Glamorgan Council, Cardiff City Council, and the Vale of Glamorgan Council feel their powers are inadequate! The new corporation would also bring together the Welsh Water Authority and the British Ports Authority.

The strength of the case in principle was demonstrated to us on a recent visit and appears in Nicholas Edwards' draft statement. However the financial details needed by Treasury must be forthcoming even if Wales keeps to its word to fund the project from its own resources.

Hartley Booth

HARTLEY BOOTH

PRIME MINISTER

SOUTH CARDIFF URBAN RENEWAL

I support the way Nicholas Edwards proposes to set about solving the problems of urban renewal in South Cardiff. The UDC approach is a means of introducing commercial realism into inner city developments, which nonetheless have to rely on some degree of public sector impetus. The project itself has the essential element of wealth creation that has been central to all our policies.

2 If we do press ahead with the project, it will require careful public presentation to obtain maximum benefit. Nicholas Edwards has made it clear that it should not be confused with the much larger Severn Barrage. The two projects should be clearly disassociated from each other in any public announcement, so as to avoid revived speculation about the Severn Barrage and detracting from the credit we should gain from the Cardiff project.

3 In the past, announcements of major public investment in Wales or Scotland have sometimes given rise to complaints from the English Assisted Areas. Some reference should be made therefore to Nicholas Ridley's recent UDC initiative in England which might head off such criticism. Copies of this minute go to Members of E(A), John Wakeham, Richard Luce and Sir Robert Armstrong.

PAUL CHANNON

24 November 1986

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

DEPARTMENT OF TRADE AND INDUSTRY JF5BNR

CONFIDENTIAL

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

24 November 1986

NBPM.

Dear Nick

SOUTH CARDIFF URBAN RENEWAL

I have now seen your minute of 13 November to the Prime Minister about South Cardiff urban renewal. I have also seen John MacGregor's minute of 17 November, John Biffen's minute of 18 November and the Prime Minister's comments as recorded in David Norgrove's letter of 19 November.

I think it would be most helpful if in addition to the assessment of financial implications proposed before a meeting is called we also had a further assessment of the legislative implications. Experience with both the Channel Tunnel and Dartford Crossing projects has shown that the legislative timetable has to be carefully thought through from the start. I would be grateful if you would let members of QL have further details of how you would intend to proceed as soon as possible.

I am sending a copy of this letter to the Prime Minister, the members of E(A), the Chief Whip, the Minister of State, Privy Council Office (Mr Luce) and Sir Robert Armstrong.

Yours
John Wakeham

The Rt Hon Nicholas Edwards MP

CONFIDENTIAL

RGG. Policy Inner Cities PT8

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

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

The Rt Hon Nicholas Edwards MP

24 November 1986

Dear Chief Secretary,

SOUTH CARDIFF URBAN RENEWAL

I was slightly surprised by the terms of your minute of ~~17~~ 18 November, since when I received it our officials had already arranged detailed discussions. The overall nature of the proposals, including the barrage, has been known to you, other Ministerial colleagues, and officials for some time, of course.

It seems clear from the talk you and I have had, however (and from the exchanges between our officials) that within the Treasury there is a substantial and very basic misunderstanding of precisely what I am intending to announce on 5 December.

I am sorry if this has not been made clear in earlier papers. Let me say now that I have absolutely no intention of announcing that the proposed barrage will be financed from public sector funds. What I shall be saying quite clearly is that I am convinced that the construction of a barrage is the key to unlocking the enormous potential for the regeneration of the South Cardiff waterfront. I shall be making it clear that the construction of a barrage will require primary legislation, that there is much further preparatory investigation to be undertaken and indeed that construction could not begin in a substantial way until late 1988. I am very seized of the legislative timetable point made by John Biffen in his minute of 19 November and there is also the conservation aspect touched on by Nicholas Ridley in his minute of the same date.

I shall also be saying that I propose to set up an urban development corporation to take the whole regeneration proposal forward. One of the first tasks I shall be giving the UDC will be to produce proposals for the barrage project, based on negotiations with landowners, developers and investors. The extensive consultations and discussions already undertaken have provided clear evidence that there is genuine interest from the private sector in putting together a financial package which would involve, directly or indirectly, a substantial private sector contribution to the barrage.

The Rt Hon John MacGregor, OBE MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON SW1P 3AG

My announcement will therefore establish the **concept** of a barrage as part of a wider regeneration objective. The point at which the barrage concept is taken forward to **project** stage will be decided once the master plan for the development has been established and the UDC has engaged in real negotiation with private sector interests. At that point there will be choices to be made and project options to be considered and these of course will be subject to investment appraisal techniques and the special arrangements for approval of over £25 million projects. But we shall never reach that stage unless the commitment to the concept - as distinct from a specific barrage project - is made first.

As regards the establishment of the UDC I am grateful to Richard Luce for his letter of 17 November indicating that this proposal presents no difficulties from the point of view of NDPB policy. I am also grateful to Nicholas Ridley for his support.

I hope that you can now agree that the announcement should go ahead on 5 December in the terms of the attached draft already sent to your officials, subject to agreement on the precise wording. If this still causes you difficulty we shall have to resolve the matter in EA, as suggested in the letter of 19 November from the Prime Minister's office.

Not what I said.

I am copying this to the Prime Minister, members of EA, John Wakeham, Richard Luce and Sir Robert Armstrong.

Yours sincerely,

Peter Walker

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

Work is also underway on the horribly named Peripheral Distributor Road (can I suggest that from now on we call it Cardiff Bay Drive?) which, when complete, will provide access into South Cardiff from the Valleys and from routes both to the east and the west. Only last week I was able to announce my approval for a start in 1987/88 on the crucial Bute Town Link section of this road which will provide a crossing of the River Taff and tie in to the proposed Central Link, work on which should start within a few weeks. What we are attempting to do in Cardiff is important not just for Cardiff but is of crucial significance for the transformation of the whole of South Wales.

I turn now to tell you about our plans for the capital city. There is one thing that distinguishes it from what is being attempted in some other parts of Britain. We are not attempting to reverse a continuing pattern of decline, we are building on success already achieved and a notable transformation of Cardiff over recent years. Everyone here

/...will be familiar

will be familiar with what has happened and seen the shopping area around the splendid St David's Hall become one of the best shopping centres in the country. To its south the new Holiday Inn forms the centrepiece of major redevelopment north of the railway which includes the skating rink and the library. That Holiday Inn development was made possible by one of the most successful of all this Government's initiatives in the field of urban renewal, the introduction of the Urban Development Grant scheme in 1982. Since that time grants of over 24 million in Wales have already triggered investment of over 140 million in around 50 projects. To the south of the railway another UDG grant made possible the redevelopment now being undertaken by Tarmac around the Bute East Dock which will do so much to re-establish the link between the modern shopping centre of the City and the old commercial heart around Mount Stuart Square in the docks. Our plan now is to capitalise on what has already been achieved and to launch a development around Cardiff Bay which our

/...consultants,

consultants, Jones Lang Wootton, have said could be "of international significance".

We have in mind

Let me describe what is proposed. First the construction of a barrage between Penarth and a spot close to the entrance to the Queen Alexandra Dock. This barrage, which incidentally has absolutely nothing to do with the scheme for constructing a tidal barrage across the Severn, would cover the tidal mud flats that exist at present with a lake that would extend up the Ely and Taff Rivers right into the City centre. An important distinguishing feature of the waterfront on this newly-created lake is that a large amount of it would be soft edged, not hard dockside, as is the case in most other recent city waterfront developments. The study undertaken by Jones Lang Wootton identifies an area not far short of 3,000 acres capable of development or refurbishment in South Cardiff with perhaps [600] acres of that immediately developable in an area close to the water's edge. During the consultation exercise that we have carried out a great many experienced people have

/...expressed excitement

expressed excitement about the kind of development that the construction of this lake would be likely to stimulate. A number of bold and creative ideas have already been put forward. There are interesting parallels between Cardiff Bay, which is what we propose to call it, and the inner harbour of Baltimore which is now one of the most attractive and successful waterside developments anywhere in the world: the area around which development could take place is comparable in scale, and the Inner Harbour area is almost exactly the same size as the Roath Basin at Cardiff. There are many lessons to be learned from the American experience. Perhaps the most important is the need to create a critical mass of related developments which can support each other and draw in sufficient numbers, both from the immediate area and from outside, to sustain a project on the scale that we are proposing.

And there is genuine interest from the private sector in putting together a financial package which would include the barrage.

In Baltimore the remarkable aquarium which attracts 1.2 million visitors a year, a Hyatt Regency Hotel and convention

/...centre with a

centre with a festival, shopping and restaurant complex developed by the Rouse company forms part of the essential critical mass superbly sited around the water. In Cardiff the new headquarters of the South Glamorgan County Council is already under construction. The Roath Basin area would provide a superb location for an aquarium, a hotel, and what I shall call Rouse-type development. The Industrial and Maritime Museum is already there and there are plans for its extension. Close-by there are dry docks which could be converted to make that Maritime Museum a major feature. At a later stage, as I have indicated, it may be possible to build a Centre For The Performing Arts.

Elsewhere around the wide sweep of the Bay developments of a different kind might be more suitable. Already at Penarth, Crest-Nicholson are building their marina.

Another lesson from America is the need to close the gap that exists between the existing heart of the City and the

/...waterside area.

waterside area. Already much is happening around Mount Stuart Square. It is becoming, for example, a centre not just for commerce but for television.

Tarmac's scheme and the South Glamorgan Headquarters have begun the process of closing that gap, and new road links are to be constructed. Further consideration is already being given to transportation requirements, which could include a light transit system. Other ideas are that part of the Commonwealth Games' sports complex could be sited in the area south of the central railway station and there could be a new southern entrance to the station providing space for access which is not available at present. Close attention is being given by the County Council to the design of the distributor road so that it does not create a barrier and provides good access to adequate car parking.

The Welsh Office and Jones Lang Wootton have been carrying out an immensely thorough consultation exercise with both the

/...public and private

public and private sectors. I, and my advisers, have visited a number of cities in the United States and sought advice both there and in this country. Those consultations have been extremely valuable. They have revealed not only that there is great enthusiasm for the project; but also exposed the need for firm and consistent control, a clear plan, careful zoning and protection of the key sites, particularly a waterside walk. Some will no doubt argue that there must be complete freedom for landowners and developers to build what they want with all the energy and speed that can be mustered. No-one, I think, can argue that I have not driven forward this project with considerable energy and at a great pace; but I note the strength of the advice, particularly from the United States, about the need for effective control. Those responsible in Baltimore believe that it has been a vital feature of their own success.

The consultation also has enabled us to proceed, stage by stage, with the agreement and enthusiastic support of the

/...principal local

principal local authorities. The City, the County and the Vale have been informed step by step of our thinking and have indicated their support for our proposals. That is very important and is a situation quite different from that experienced in the London Docks and in other places where Government has had to impose an organisation on unwilling local authorities.

Against that background I can now announce the Government's decision, with the support of local government, to set up an Urban Development Corporation under the powers of the local Government Planning and Land Act 1980. The UDC will be known as the Cardiff Bay Development Corporation. It will be a small organisation with a highly qualified and dynamic team. Jones Lang Wootton's report spoke of the need for "superb leadership". There will be no large bureaucracy; but it will use facilities made available to it by the local authorities on an agency basis; it will work with Government agencies such as LAW and the WDA and it will employ outside consultants where appropriate.

/...We intend to

We intend to work on the basis of the more restricted range of planning powers provided for in the 1980 Act, that is to say that the local authorities will retain their normal planning function, but the Corporation will be able to submit plans to me which when approved will not only provide the necessary guidance for developers but will remove the need for separate planning consents for proposals in those plans. The Corporation will also be able to ensure that development which might conflict with their overall objectives is not approved by the local planning authority without reference to me. Only if these powers prove ineffective would we consider taking the wider planning powers provided for in the Act and which apply in London Docks and Merseyside whereby the Corporation would become the sole local planning authority. Because our local authorities are in agreement with the Welsh Office on the objectives for Cardiff Bay I do not believe that this will ever be necessary.

The Corporation will have five Directors representing the three local authorities and eight others, including the

/...Chairman, appointed

Chairman, appointed by the Secretary of State. I hope to be able to make an early announcement of the Chairman and some of the first Board members. The Corporation will have the limited, specific, but highly important, task of seeing that the development potential of the area is realised. Once their task is complete it will relinquish its responsibilities to the local authorities who will continue to exercise all their other normal functions in the area. I want to emphasise that nobody is aiming to create a second and competing City but rather to exploit the full potential of Cardiff's magnificent situation by the sea for the benefit not just of the City but the industrial valleys and the whole of Wales. I shall be seeking to find as Directors people with the drive and vision that is required, together with the financial and property skills needed to make this a project the importance of which is recognised far beyond Wales and which attracts proposals and investment from Britain and overseas.

/...Though it

Though it must be right to seek this very wide backing, I am equally confident that a very major and critical contribution will be made by landowners and developers from within the area. Associated British Ports are particularly well placed to ensure that what is done unleashes the potential that has been identified. Clearly the company has the greatest possible interest in seeing that that happens.

The American experience indicates that the Corporation must be prepared, when necessary, to use powers of compulsory purchase to assemble land. In Baltimore this is taken for granted and enables developments to take place that are larger and more comprehensive than would otherwise be possible and in a way that rewards both the public sector for its investment and the landowners involved through participation in the enlarged developments that this approach makes possible. There will be the need for the closest co-operation between the Corporation, the landowners and developers.

/...To put the

To put the Corporation in place will take time (it requires a Parliamentary Order) and our target start date is 1 April 1987; but to avoid delay in getting the process of consultation underway I will be inviting local authorities, prospective Board members and others involved, including representatives of local business, to form an ad hoc committee to prepare a mission statement and to set in motion the preparation of the development strategy and zoning proposals, so that much of the preparatory work can be completed by the time that the Corporation takes up its formal duties.

Once it does so its immediate task will be to work out development plans with the private sector stimulating private investment & the whole project including the barrage

I will also be asking local business men and women to form a Cardiff Bay Business Committee to act as a forum for consultation and for the involvement of the local business community. We will also be holding exhibitions and consultative meetings with those who live in the area.

The Corporation's responsibilities will cover a large part of Cardiff to the south of the railway and a part of Penarth as

/...shown on this

shown on this plan. The proposed boundaries take account of the comments and views of all three local authorities.

An Act of Parliament will be required before a barrage can be constructed. I have taken careful note of the objections that have been raised by those concerned with bird life on the mud flats and have had a study carried out by the Institute of Terrestrial Ecology. We are examining a number of ways in which the loss of feeding grounds might be minimised; but I am certain, on the basis of very widespread consultation, that the full potential is to be achieved the barrage is essential if this project is to proceed; and I believe that the benefits that it will bring to Cardiff and to the wider area of South Wales are so vast that it is right to seek Parliamentary approval: subject to it being and a satisfactory outcome to the Corporation's discussions with the private sector on development funding ~~if it~~ is obtained I would expect work on the construction of the barrage could ~~to~~ start around the middle of 1988 and take about three years to complete.

In the meantime,

In the meantime, there is much to be done. I take immense encouragement from the very positive and helpful advice that we have received from so many experienced people. I am encouraged, too, by the expressions of interest that have come from the United States where they have much experience of developments of this kind; but, above all, I take encouragement that this project has brought together the various local authorities and the political parties in a manner that is likely to give great confidence to those who wish to join in this bold and ambitious venture. Our advisers tell us that "this is a rare opportunity to develop a superb environmental setting which will have few, if any, competitors in Great Britain". Surely nothing less should be the objective for our capital city.

REGIONAL POLICY Inner Cities PT8

Godfrey BRADMAN
26/11

file

1) 2/12.
2) 9/12

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

ack/ 21 November 1986

Following our telephone conversation I now enclose a copy of the letter Mr. Godfrey Bradman has sent the Prime Minister about the Docklands Light Railway.

Could I please have a draft reply for the Prime Minister to send to Mr. Bradman by early next week.

QF
Mark says this has been dealt with — have you pos? JR 23/12

see part 8 REG POL: Inner cities.

(MARK ADDISON)

Jonathan Cunliffe, Esq.,
Department of Transport.

RESTRICTED

P02369

From: J B UNWIN
21 November 1986

COPY FOR

cc Mr Norgrove - No 10

MR WIGGINS

NBPM

SOUTH CARDIFF URBAN RENEWAL

The Welsh Secretay's letter to the Chief Secretary of 24 November (received here on 21 November - the Post Office is improving) renews his request for agreement to announce on 5 December the establishment of a new UDC together with the concept of a barrage (as opposed to the project itself) as part of a wider regeneration objective.

2. I have had a word about this with Robin Butler at the Treasury. I said that if it appeared necessary we would arrange consideration at E(A) early in the week beginning Monday, 1 December. It seemed to me, however, that the Treasury and the Welsh Office should try to reach bilateral agreement first. It might, for exmaple, be possible to reach agreement on the UDC, but to be much less committal on the barrage at this stage. Although the UDC had not been approved, there was in a sense a collective Ministerial presumption in favour of it as a result of the earlier discussions if the actual case was accepted by the Treasury as a sensible one.

3. Robin Butler agreed that this was the right way to proceed and will initiate immediate discussions with the Welsh Office and keep us in touch. We shall need to decide by next Wednesday or Thursday at the latest whether discussion in E(A) is necessary.

J B UNWIN

ROSEHAUGH STANHOPE DEVELOPMENTS PLC

53-55 Queen Anne Street London W1M 0LJ
Telephone 01-486 7100 Telex 28167
Fax (Group 3) 01-935 0277

GB:CLH

21st November, 1986

The Prime Minister,
The Rt. Hon. Mrs. Margaret Thatcher, FRS, MP,
10 Downing Street,
London SW1

Dear Prime Minister,

LONDON DOCKLANDS

My colleagues and I were very concerned to learn that the Bill for the Docklands Light Railway Eastern Extension (The London Docklands Railway (Beckton) Bill) may not, as was intended, be deposited on Thursday of next week. This would be the second occasion that the deposit of such Bill had been postponed.

Rosehaugh Stanhope Developments, together with its associated and subsidiary companies, is currently engaged in more property development in the City and Central London than any other organisation and we are also involved in major property development schemes in London Docklands which will be equal to, if not larger in size than, our Central London developments.

Our proposals for the East India and Royal Docks include the provision of much housing for local people, offices, premises for high technology users, a marine centre and a major shopping centre. Other developers also have significant proposals for a large sports stadium and a trade centre in addition to a large amount of housing. These comprehensive redevelopment proposals will, we believe, introduce life and activity to an area of London currently in decline and encourage the regeneration of East London. These important social objectives cannot be achieved by the redevelopment of Canary Wharf and the Isle of Dogs alone. All this is, however dependent upon maintaining the confidence of consumers which has been built up over the last few years.

We are firmly of the view that great importance has been placed by potential consumers on the provision of an adequate public transportation system. In this connection, we are currently finalising negotiations with Reuters Holdings plc to provide them with more than one million sq. ft. net of office accommodation at our site at Blackwall Yard which adjoins the

continued...

The Prime Minister,
The Rt. Hon Mrs. Margaret Thatcher, FRS, MP 21st November, 1986

Brunswick Wharf Power Station, which we have contracted to acquire. From our discussions it is clear that there is a strong likelihood that Reuters and many of the other potential occupiers of all the developments in the area would have their confidence in the area destroyed if the Government delays the deposit of the Bill for the Eastern Extension of the DLR.

I enclose a briefing document dealing with some of these matters, and you will see that private sector finance of some £3 billion is at stake in the East India and Royal Docks alone, the development of which should provide in excess of 50,000 permanent jobs, in addition to up to 10,000 short-term jobs for construction workers. Also enclosed is a map of the Docklands area.

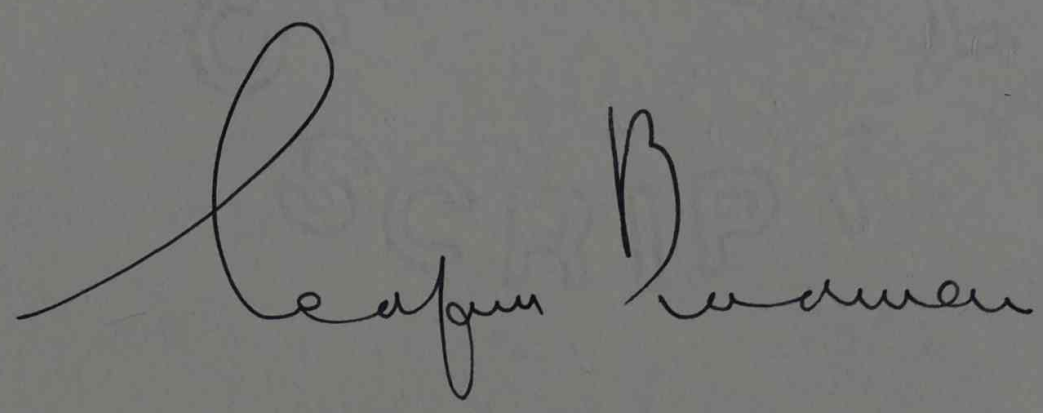
The Eastern Extension of the DLR is anticipated to cost in the region of £120 million; this should provide very considerable enhancement of land values in the area and from the information in our possession, such enhancement of land values should be equal to twice the cost of providing that Eastern Extension.

I have discussed this matter with Mr. David Hardy, Chairman of the London Docklands Light Railway, and Mr. John Mills, Deputy Chairman of the LDDC, and I am pleased to confirm that we would be very happy to work with both organisations with the object of ensuring that adequate funds are provided to enable the Eastern Extension to the Railway to be funded.

I do hope it will be possible for you to authorise the deposit of the Bill no later than Thursday of next week (27th November).

In view of the enormous importance of this matter to the success of the entire Docklands redevelopment proposals, and indeed the regeneration of the whole of the East London area, I would be very grateful if it would be possible for you to spare a few minutes prior to Thursday of next week so that I may discuss the matter with you and clarify any points which are in doubt.

Yours sincerely,



Godfrey Bradman

EASTERN EXTENSION OF DOCKLANDS LIGHT RAILWAY

Background

The Bill for the eastern extension of DLR was withdrawn at a late stage in 1985, to make room for the western extension to the Bank, required for Canary Wharf.

Developers postponed their activity in East India Docks and Royal Docks to a programme anticipating that the eastern extension of the DLR would be included in the 1986 Railway Bill. Prospective tenants who were looking at the eastern Docks have held back.

Certain prospective tenants, Reuters for example, with a requirement for 1 million sq. ft., are now looking at East India Docks for occupation in 1988 in the expectation that the eastern extension would be progressed through Parliament in the 1986 session.

Current

The whole development of the eastern Docks, involving private sector finance of around £750 million in East India Docks and around £2,250 million in Royal Docks is totally dependent upon a balanced transport system as between car and public transport. The modal travel split may be as high as 80% public transport to 20% car. Few developers are forecasting that it will be less than 60% public transport to 40% car.

If the eastern extension of the DLR was postponed once again and developers were to perceive that it was being sacrificed in the longer term, rather than being postponed for a second consecutive year, the level of investment in both East India Docks and Royal Docks that could be supported by road transport, without any improvement of public transport, would be substantially reduced in scale. The A13 road is at capacity and new roads can only cope with the planned increase of traffic if supported by effective public transport.

15,000 permanent jobs are forecast for East India Docks and 35,000 for the Royal Docks. The modal split of travel indicates that between 50% and 75% of these will need to travel by rail and 10% by bus. The long term loss of the rail link would prejudice at least 70-80% of these potential jobs.

In addition to the permanent jobs, there will be up to 10,000 short term jobs created for construction workers.

Developers are planning to start training local school leavers and retraining local adults for these new jobs from summer 1987 to be ready to meet the demands of employers in 1988 and 1989.

Conclusion

If the eastern extension of the DLR is postponed for a second consecutive year, there is a near certainty that all the above major projects would be severely prejudiced and some of them will probably be abandoned altogether.

19th November, 1986

PRIME MINISTER 21 November 1986

Docklands Light Railway - Eastward Extension
E(A) Monday 24 November

Nicholas Ridley provides three options (a) allow the Bill to be laid on the 27th November, (b) delay the Bill for one year, (c) have more talks with London Transport (LRT) and London Docks (LDDC).

Against immediate action - options (b) or (c) - we are being "railroaded" into action, the figures are a little speculative and certainly the private sector collaborator in the Western Extension (Travelstead) has proved difficult.

In favour of immediate action - option (a) - This option will boost the momentum of the docklands development and confidence for investors in the Eastern (Royal) docks. Also (and not mentioned in the Ridley papers) Docklands has a successful 'track' record which it can rightly pray in aid. Moreover, unlike the problem experienced with the Western Extension, the money for the Eastern Extension will not in the judgement of LDDC require any further public money.

Conclusion

The trade-off is between the promotion of a cause in which this Government can take pride, and protection of the taxpayer from the wiles of developers like Travelstead. We would back the LDDC and the vision of a rejuvenated Docklands (option (a)) but insist that the Eastern Extension of the Light Railway does not proceed until watertight financing arrangements have been secured.

Hartley Booth. JMW.

HARTLEY BOOTH JOHN WYBREW

cc BG
BHP

PRIME MINISTER

DOCKLANDS LIGHT RAILWAY: EASTERN EXTENSION

1. We are to have a further discussion in E(A) on Monday on the basis of a note by Nicholas Ridley. In that he draws out our two major concerns which stand in the way of my giving consent for the Bill to be deposited:

i. the heightened exposure of the Government to pressures for a substantial increase in public expenditure - up to £125m (present prices) - for the Eastern Extension, and even if a source of private funding were found, the acceptance of risk by the Government to meet any shortfalls;

ii. the risk of a direct and adverse impact on the satisfactory conclusion of negotiations with the Canary Wharf Consortium on the funding of the City Extension which the letter of comfort from the Consortium, promoted by the LDDC, does not entirely allay.

2. I need to draw to your attention two further factors which bear on the assessment of these risks. First, the provisional agreement with the Consortium reached last year was based on a contribution to the City Extension equivalent to £45m in Net Present Value terms. On the estimates then available this was sufficient to secure the required 5 per cent real rate of return on the public sector's share of the cost. But this was predicated on the patronage and revenues which would be generated if the Canary Wharf Development proceeded to the planned levels. For that reason enforceable guarantees from the Consortium that their development will

proceed to the required scale and timetable are being sought. This is being strongly resisted by the Consortium in the current negotiations and is not a matter on which their letter gives comfort.

3. The second factor arises from cost escalation on the City Extension. The latest estimates produced by LRT in the light of tenders they have recently received indicate an increase of nearly £20m since March. We will need to give separate consideration to this as it is not provided for within LRT's existing External Financing Limit. The railway is now unlikely to generate the required rate of return on a purely financial basis, though it should still meet our investment criteria in cost-benefit terms. There is little prospect of successfully negotiating an increased contribution from the Consortium to cover this financing gap. And it exemplifies the sort of public expenditure risk we face if we now agree to the Bill for the Eastern Extension.

4. In these circumstances it is all the more important that the Consortium deliver their financial contribution in full, as well as the enforceable development guarantees which are being sought. We remain exposed on the latter and possibly on the former too, notwithstanding the letter of comfort which significantly is expressed in cash terms rather than NPV terms (the calculation of which is currently a point of contention).

5. In all the circumstances I feel bound to conclude that consent to the deposit of the Bill should not be given now, especially as we have the possibility of using the late bill procedure.

6. I am copying this minute to Nicholas Ridley, to other members of E(A), and to Sir Robert Armstrong.

R. A. Allan
(Private Secretary)

for J.M.

(approved by the Secretary of State for Transport + signed in his absence.)

21 November 1986

SRWAMZ

PRIME MINISTER

DOCKLANDS LIGHT RAILWAY

Godfrey Bradman rang this afternoon seeking an urgent meeting with you early next week to discuss the Docklands Light Railway. I told him that this would not be possible because your diary was so heavily congested.

I suggested as an alternative he might like to put his points in writing, and he has now done so. His letter and enclosures are attached. You will see he also reiterates his request for a meeting; he subsequently told me that he would be very happy to have a word about this over the weekend. I am sure, however, you should not accede to either of these requests, and I have made it quite clear that the most he can expect is that you will take note of the points made in his letter. (I arranged for a Minister at the Department of Transport to see him, but he tells me that Basil Feldman has already spoken to John Moore about this, and he does not see any point in seeking a further meeting at the Department. Basil and Mr. Bradman are acting closely together on this.)

I have sent a copy of his letter to the Department, and they will be providing an early draft reply.

Suzanne

pp **(MARK ADDISON)**
21 November 1986

CC BG
B/UP

P 02367

PRIME MINISTER

Docklands Light Railway - Eastern Extension

DECISION

1. You will recall that the Environment Secretary raised this at the start of E(LF) yesterday. As paragraph 4 of his paper makes clear, Ministers in both DOE and DTp in fact received submissions on this last week, and I understand that there is a long history of discussions between the London Dockland Development Corporation (LDDC), London Regional Transport (LRT), and DOE, DTp and Treasury officials, in which Ministers have also been involved at various stages. It is therefore all the more curious that this should have been sprung on a Ministerial Committee without warning. But the paper indicates that there are issues for the Government which merit collective discussion, and I therefore recommend that the meeting of E(A) provisionally arranged for Monday afternoon should go ahead.

2. The issue for decision is whether the Secretary of State for Transport should give consent for LRT to lay a Bill by 27 November authorising the construction of the eastern extension of the docklands light railway.

BACKGROUND

3. LDDC have for some time been considering the eastward extension. The estimated cost is £125 million at 1986 prices, which LDDC are advised it should be possible to fund in full from the resulting increase in land values in the area owned by them which would be affected (estimated at £208 million). They see this project as indispensable to developing the Royal Dock, and it would also service the STOL port. It is for LRT to promote the necessary legislation. The Government's policy for both this

extension and for that to Canary Wharf is that the capital cost (above what can be serviced from fare revenues) should be met by the private sector developers, or from the realisation of the increase in the value of LDDC's land. LRT first sought the Secretary of State for Transport's consent last year, but it was then refused because the economic case had not been made.

THE ISSUE

4. The specific issue now is whether the Bill should be introduced in this session. There is no operational reason why it cannot be delayed until next year. In brief, the main arguments for and against delay are as follows:-

(a) Arguments for delay:

(i) There has not yet been time thoroughly to assess the economic assessment by LDDC and the assurances from the developers. So there could be a financial risk in proceeding;

(ii) Although introducing the Bill does not actually commit the LRT to build the extension, and Government consent could subsequently be withheld, in practice it would be difficult for the Government to pull out once it had blessed the Bill;

On this see paragraph 8 of Mr Ridley's paper. He seems to admit John Moore's case.

(iii) This would also weaken the Government's negotiating position with the private sector developers and possibly make it more difficult also to call in the undertakings already made by the developers of Canary Wharf in support of the City extension, the Bill for which is currently before Parliament.

(b) Arguments for giving consent now:

(i) Delay might be regarded as a lack of Government commitment to the redevelopment, with the possible loss of attractive development possibilities and of private sector backing;

(ii) It would not be possible to secure Royal Assent in the current Parliament, so creating a greater degree of uncertainty about the timing of the project, and indeed whether it would proceed at all.

So far the Transport Secretary has favoured the case at (a) (I understand that he may minute to you to confirm this before the meeting on Monday); and the Environment Secretary that at (b).

5. The issue in essence is therefore whether the symbolic importance of legislating quickly and reasserting the Government's commitment outweighs the risk that the Government might find themselves increasingly committed to a project which ultimately proves not to be economically viable.

Compromise Course?

6. The Environment Secretary floats the potentially attractive middle course of introducing the Bill late in the current session. It would then be in breach of Standing Orders, and it would be necessary for the Standing Orders Committee to decide whether the usual requirements might be waived. It is difficult to predict their reaction. The Dartford ~~Tunnel~~ Crossing Bill will already be late, following the Channel Tunnel Bill last year. If it appeared that a third controversial Bill had been introduced late because of Government delay, and in particular one raising contentious planning issues where no public enquiry had been held, there might well be political difficulties. The fact that there is no absolute need for the Bill to be introduced before next November is also a factor. If the Committee were to prove

difficult, in practice nothing would be gained by introducing it late compared until waiting until next year.

HANDLING

7. You will wish to ask the Environment Secretary to introduce the discussion. The Secretary of State for Transport and the Chief Secretary will wish to respond. The Chief Whip will have views on the Parliamentary handling. Other Ministers will wish to contribute.

J B UNWIN

Cabinet Office
21 November 1986

2

PRIME MINISTER

Mr Edwards feels passionately about his proposals. The Treasury feel equally strongly that this is an ill thought out scheme. It may be possible to agree an Urban Development Corporation so that he has something to announce, leaving the barrage till later. But they can fight it out for now.

DRN

It is an excellent statement!

MT

DRN

21 November 1986

PRIME MINISTER

DOCKLANDS LIGHT RAILWAY

A small point.

If the Government decides to let the Bill for the Eastward extension go ahead despite all the very great planning and public expenditure uncertainties, Mr. Edwards will feel even more strongly that he should be allowed to announce the Cardiff Barrage on 5 December.

DRN

DN

21 November, 1986.

JD74

CONFIDENTIAL

cc BG

SECRETARY OF STATE FOR THE ENVIRONMENT

PRIME MINISTER

SOUTH CARDIFF URBAN RENEWAL

NBM

I have seen a copy of Nicholas Edwards' minute of 13 November to you about setting out his proposals for a new Urban Development Corporation in South Cardiff.

I very much support Nicholas's initiative here, which will broaden and strengthen our policy of bringing UDCs in to deal in depressed and derelict areas of our old industrial cities. These areas have suffered from years of neglect compounded by the inability and unwillingness of local authorities to put aside bureaucratic red-tape and political bloody-mindedness. So I hope that his plans can proceed, although I cannot of course make any comment on the financial issues which John MacGregor has raised in his minute of 17 November 1986.

On the associated issue of the way in which the EC Birds Directive relates to the proposed barrage across the Cardiff harbour mouth I am currently holding separate discussions with Nicholas and I hope that this is a matter on which we can find a satisfactory solution.

I am copying this to members of E(A), John Wakeham, Richard Luce and Sir Robert Armstrong.

NR

NR

November 1986

REGIONAL POLICY
INNER
CITIES
PT 8

CONFIDENTIAL

file

ECL

bc BG

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

19 November 1986

Dear Colin,

SOUTH CARDIFF URBAN RENEWAL

The Prime Minister has seen your Secretary of State's minute of 13 November about South Cardiff urban renewal, and the Chief Secretary's minute of 17 November. The Lord Privy Seal has minuted subsequently about the legislative implications.

The Prime Minister believes a meeting is likely to be needed to discuss your Secretary of State's proposals. However before such a meeting can be held further discussion between the Welsh Office and the Treasury will clearly be needed on the points raised by the Chief Secretary.

I am copying this letter to the Private Secretaries to members of E(A), Murdo Maclean (Chief Whip's Office), Michael Stark (Office of the Minister for the Arts) and Trevor Woolley (Cabinet Office).

Yours,

David.

(David Norgrove)

Colin Williams, Esq.,
Welsh Office.

CONFIDENTIAL

ECL

CC BG

NBPM

LORD PRIVY SEAL

PRIME MINISTER

SOUTH CARDIFF URBAN RENEWAL

I have seen Nick Edwards' minute of 13 November to you about the creation of an Urban Development Corporation for Cardiff Docks and the building of a barrage across the harbour mouth.

I note that construction of the barrage would require either a hybrid Bill or a Private Bill which would be promoted by South Glamorgan County Council, and that work on the barrage is envisaged as beginning in the middle of 1988. As you will know, there is no provision in this Session's programme for the necessary legislation, and I assume therefore that it would be for next Session. On this basis I believe that meeting the proposed timescale is by no means certain, even though as a hybrid Bill the legislation could, if necessary, be carried over into the next Parliament. Construction of a barrage will arouse considerable opposition from conservationists and we might expect a substantial Select Committee stage of the legislation in both Houses. I therefore take the view that the announcement which Nick hopes to make on 5 December should contain no firm reference to the likely timing of the project, and that the legislative implications should be discussed further.

I am copying this minute to Nick Edwards, other members of E(A), Willie Whitelaw, John Wakeham, Richard Luce and Sir Robert Armstrong.

WJB

W J B

19 November 1986

Inner cities: REGIONAL POL Pt 8.

2

PRIME MINISTER

SOUTH CARDIFF URBAN RENEWAL

You should be aware that Mr. Edwards has minuted you proposing to announce on 5 December the creation of an urban development corporation for Cardiff Docks and the building of a barrage across the harbour mouth.

Mr. Edwards has not consulted colleagues or particularly the Treasury before putting his proposal to you, and the Chief Secretary has, quite rightly, objected.

The Welsh Office are now considering whether to push their proposal or to allow proper discussion. If Mr. Edwards does decide to push the proposal, I think you will need to be firm with him: he has not yet made the case for what is a major proposal.

DRN

As we discussed the Welsh over, so we must discourage Welsh proposal now

DN

18 November, 1986.

JD68

CC(B5)

Cabinet Office

MANAGEMENT AND PERSONNEL OFFICE

From the Minister of State
Privy Council Office
The Rt. Hon. Richard Luce MP

Great George Street
London SW1P 3AL
Telephone 01-233 8610

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales
Welsh Office
Gwydyr House
Whitehall
London SW1A 2ER

NBPM.

17 November 1986

Dear Nicholas,

SOUTH CARDIFF URBAN RENEWAL

FILE WITH DRN

Your minute of 13 November to the Prime Minister proposes the setting up of a new Urban Development Corporation which would, of course, be a NDPB. I am writing to say that the proposal poses no difficulty from the point of view of NDPB policy.

As you know, before setting up a new NDPB Ministers should be satisfied that its tasks are essential and that their expected benefits justify the costs; that the tasks must be carried out in the public sector; and that no existing organisation could carry them out.

You have considered possible existing organisations and concluded that none of them would be appropriate. You have also satisfied yourself that the corporation will have the full support and co-operation of local authority and private sector partners and have indicated that the corporation would be wound up as soon as practicable. The final, and most important, question - whether the proposed tasks are essential and whether their benefits justify the costs - must be a matter for your judgement. On this basis I am content with your proposal.

I am copying this to the Prime Minister, members of EA, John Wakeham and Sir Robert Armstrong.

Richard

RICHARD LUCE

REGIONAL POLICY
INNER CITIES

PT 8

005/2767

CONFIDENTIAL

CC/BG

FROM: CHIEF SECRETARY
DATE: 17 November 1986

PRIME MINISTER

SOUTH CARDIFF URBAN RENEWAL

at flag

I see from Nick Edwards' minute of 13 November to you that he is proposing to announce the creation of an Urban Development Corporation for Cardiff Docks and the building of a barrage across the harbour mouth on 5 December.

2 Although I am aware from the earlier E(A) discussions that he has been considering a UDC in Cardiff, the present paper is significantly different from his earlier proposals. Despite this, my department was not consulted about it in advance in contravention of our agreed procedures. The proposal should of course also be subject to the normal rules on policy evaluation, and incidently, in the case of the barrage, to rules for Ministerial approval of major capital projects which you agreed earlier this year. Nick's paper gives only a partial indication of the total public expenditure costs and does not quantify at all how much he expects the private sector investment to be. It does not give any estimates of the value of the possible benefits, nor the criteria for measuring success.

3 I appreciate his enthusiasm and his desire to press ahead as quickly as possible, but I do not think his proposal should be approved until we have a much clearer idea of what the costs and benefits will be. I hope you will agree that no announcement should be made until Nick has provided this information and we have had an opportunity to assess it. My officials have only just received the preliminary feasibility studies of the barrage and the redevelopment of the docks area. At first sight these do not appear adequately to answer the questions raised above

and I suggest that the first step should be for Welsh Office officials to discuss with mine how the further necessary information should be provided.

4 I am copying this minute to Nick Edwards, other members of E(A), John Wakeham, Richard Luce and Sir Robert Armstrong.

JM

JOHN MacGREGOR

REG POC: Inner cities pt 8.

CC BG

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 4794 (Llinell Union)
Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 4794 (Direct Line)
From The Secretary of State for Wales

CF Please amend accordingly.

14 November 1986

Dear Mr. Wicks,

DRN 17/11

SOUTH CARDIFF URBAN RENEWAL

Yesterday, I circulated a minute from my Secretary of State to the Prime Minister attaching a note setting out the background to the proposals on South Cardiff Urban Renewal. Paragraph 4 of the attached note may have been incomplete on some of the copies and the last sentence of that paragraph should end "..... people of the highest calibre." I apologise for any inconvenience caused.

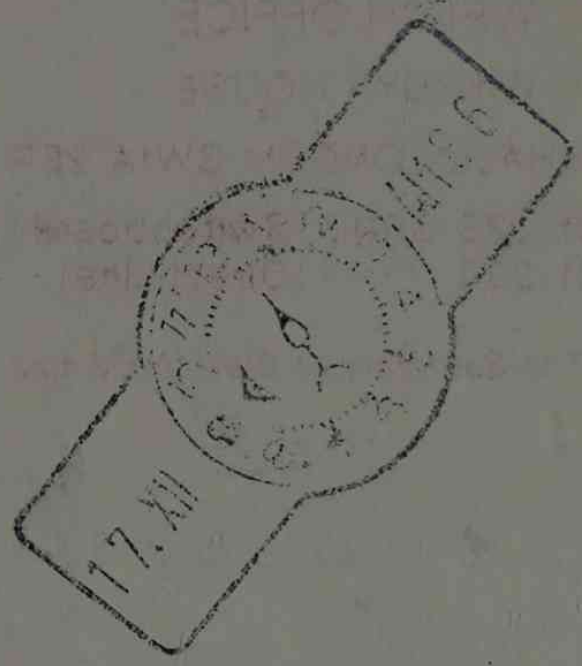
I am copying this letter to members of EA, John Wakeham, Richard Luce and Sir Robert Armstrong.

Yours sincerely,

T D EVANS

Nigel Wicks Esq
PPS/Prime Minister
10 Downing Street
London
SW1

Reg. Power Lower Cotes PT8



cc PS

BIF 20/11

Prime Minister

SOUTH CARDIFF URBAN RENEWAL

In a minute to you on ~~16~~ 17 July I informed you of studies that I had commissioned into the feasibility of constructing a barrage across the Cardiff harbour mouth and the associated private sector development in South Cardiff that might be brought forward as a result. Mark Robinson also referred to these proposals at EA on 22 September.

These studies have now been completed and the results are very encouraging: I would, therefore, like to move forward quickly to capitalise on the significant interest being shown by the private sector in the opportunities which are emerging. In the attached note I set out the background to the proposals including the reasons why I have concluded that the construction of a barrage is the key to unlocking the enormous potential that exists and why I would like to seek the necessary powers to set up an Urban Development Corporation to bring this development forward.

Despite the pressure that will be put on the remainder of my spending programmes, I would be prepared to find the public expenditure element of the total cost of the barrage and UDC from within my block. I shall, nevertheless, be seeking to ensure that a significant proportion of the infrastructure costs will be met by the private sector thus reducing the public sector input and this will be a prime objective.

As I mentioned in my earlier minute there is an opportunity here for a unique and exciting project which has broad political credit for the Government. I should be grateful to receive colleagues' agreement to announcing that I have accepted that a barrage should be built and that a UDC is the appropriate mechanism to bring this exciting development to fruition - and thereafter to proceeding with the establishment of the UDC and with preparation of the necessary legislation. I would propose to make this announcement on 5 December in a speech which I shall be making at a seminar in Cardiff arranged by the Welsh Development Agency.

I am copying this to members of EA, John Wakeham, Richard Luce and Sir Robert Armstrong.

13 November 1986

RNE

SOUTH CARDIFF URBAN RENEWAL

The background and the problem

1. South Cardiff is a dockland area badly affected by the decline of the coal trade. It combines terraced housing with run down commercial properties, some of high architectural quality. Operating docks facilities are now all concentrated into a small area and there is a very substantial amount of land ripe for redevelopment around the estuaries of the Taff and Ely Rivers. Those estuaries themselves are at present unattractive mud flats other than at high tide. The area offers enormous potential for maritime-related development which could transform its present neglected and deprived character. A start has been made by Tarmac, which, with Urban Development Grant (UDG) support, is undertaking a £42m housing, commercial and leisure project. South Glamorgan County Council are building their new headquarters nearby and a new road is helping to open up the area. In my opinion however the key to capturing its full potential lies in a barrage across the harbour mouth, enclosing the two river estuaries. This would create a very large area of fresh water and stimulate housing, commercial and leisure developments on a scale of national, if not international, significance. Consultancy reports commissioned by my Department have brought a very encouraging response from developers and financial institutions.

2. The envisaged barrage (not to be confused with a Severn tidal barrage which is an entirely separate concept) could cost up to £50m. Significant direct financial return to the constructing body is unlikely. Property values around the estuary can however confidently be expected to appreciate very substantially (an assessment by Jones Lang Wootton (JLW) points to a figure approaching £200 million for identified developable sites alone and in the longer term there would undoubtedly be substantial additional investment in areas not immediately available for development). There would also be very considerable employment and income benefits. The studies undertaken by JLW, and intense discussions I have had in recent months with a variety of bodies, lead me to think that, given confidence in the planning and land assembly machinery, the private sector would participate in this major project on a financial basis broadly comparable with the present UDG or prospective Urban Regeneration Grant arrangements. (The Annex to this note gives an indication of the range and intensity of the consultations and discussions which have informed my consideration of this project.)

Possible use of Urban Development Corporation powers

3. The studies and discussions have also produced a remarkable degree of unanimity that a single purpose organisation would be needed to carry forward and realise these exciting development opportunities. South Glamorgan County and Cardiff City Councils are committed to the redevelopment of South Cardiff but it is unlikely that these authorities could themselves - even with UDG support - carry through so large a redevelopment project and the private sector also seems to lack confidence in their ability to do so. The Welsh Development Agency (WDA) could play an important part in land reclamation as could the Land Authority for Wales (LAW) in assembling and making available land for private sector development. Even in collaboration, however, these bodies could not provide an adequate catalyst nor provide the single-purpose vehicle which would command the confidence of the major institutions and property developers whose backing would be essential. In any case, they each have an important and demanding all-Wales role and it would not be sensible to focus their energies sharply on a single project of this magnitude.

4. It is against that background, and drawing on my wide consultation about experience elsewhere, that I have reached the view that a barrage related redevelopment scheme will best be taken forward by means of a UDC to be called Cardiff Bay Development Corporation. This could be done within the powers of the Local Government Planning and Land Act 1980. The County Council accept a UDC as the arrangement best calculated to expedite this desirable project. They will almost certainly agree to collaborate with a Corporation even to the point of seconding support staff. Similar collaboration would, I believe, be forthcoming from the City Council and from existing statutory agencies, with substantial commonality of membership and of staffing. The corporation would operate with the agreement of and in full consultation with local authority and private sector partners and its executive arm would be a small dynamic unit, not an additional tier of bureaucracy. Its tasks would be to identify possibilities and work up a development framework within which a largely private sector led development could take place. It could be wound up when such a framework has been established and the financing and construction of a development is well advanced. I would envisage that the additional public sector staff requirement would be very small, probably no more than about twenty, including the Chief Executive, but they would have to be highly motivated, with remuneration levels sufficient to attract people of the highest calibre.

Objectives

5. Whilst this project would undoubtedly bring about the rejuvenation of a run-down urban area, its primary purpose is to exploit an outstanding potential for maritime related development. Measures of achievement would be private sector investment; floor space of housing, commercial, leisure and other premises; marina traffic; the appreciation of land values; and employment and income gains.

Financial Implications

6. The direct running costs of the Corporation are likely to be of the order of £1m per annum. Initially the main expenditure would be on land acquisition. Work on construction of the barrage would start around the middle of 1988 and take about three years to complete. I shall expect the Corporation to secure as much private sector funding of capital developments as possible but my belief in this enterprise is so strong that I shall find resources from within my public expenditure block to cover the costs the Corporation has to bear, though this will be at the price of deferring other pressing demands. In addition there will be land reclamation work and private sector development activity aided by Urban Development Grant or Urban Regeneration Grant which will be treated as priority claims on the provision I make for those programmes generally.

Barrage Legislation

7. The barrage itself will require legislative powers and it will be necessary for me to bring a hybrid Bill before Parliament or accept a proposal from the South Glamorgan County Council that they should seek powers through the Private Bill machinery. There is likely to be some opposition to these proposals from the conservation lobby because the area in question is a Site of Special Scientific Interest and is part of the Severn Estuary which is a candidate for designation as a 'wetland of international importance' under the Ramsar Convention and as a Special Protection Area (SPA) under the EC Birds Directive. A Study undertaken by the Institute of Terrestrial Ecology on my behalf suggests that a full height barrage (as proposed) is likely to result in the loss of most of the existing feeding areas in the mouth of the Taff and that it is unlikely that the wading birds displaced could be fully absorbed elsewhere. However, the report suggests that it could be possible to create

alternative feeding grounds through the eradication of Spartina grass in other estuaries and further studies will therefore be commissioned into this possibility. We are also looking at the feasibility of engineering new mud flats close to the Taff Estuary. The results of these studies will give us a better indication of the extent to which the effect on migratory birds can be minimised and compensatory measures offered to objectors. I believe that the benefits that this project will bring to Cardiff, and to the wider area of South Wales, are so vast that we should not be deflected from it by reason of objections from conservationists. I feel it right, however, to mention to my colleagues the possible relevance of the 1979 EEC Birds Directive. It is not certain that the Severn Estuary will be designated an SPA, still less that the impact of the barrage on feeding grounds in the small constituent Taff Estuary would be significant. A challenge from the European Commission based on the terms of the 1979 Directive is thus no more than a contingent possibility. And my proposals of course reflect existing stated policy on developments in SPAs which is that the Directive allows economic and other considerations to be weighed against the conservation arguments. I am aware that the Law Officers have been considering various questions relating to the extent of Ministerial discretion under the Directive and that this may, in due course, necessitate a review of our position. At the risk of anticipating a wider discussion of general policy in relation to the Directive I would say now that it would seem to be politically impossible for Ministers to be deprived of all discretion in this matter. I would hope that my colleagues would share this view to the point of agreeing that I should press ahead with the South Cardiff project and withstand vigorously any challenge from the European Commission in the unlikely event of that materialising.

Summary and conclusion

8. Discussions with potential investors and the local authorities are continuing, the latter covering the question of legislation needed to enable the barrage to be constructed and the area for which a UDC would have responsibility. We are very close to obtaining both substantial private sector backing and broad political support from the local authorities. There is here a unique and exciting opportunity for a first class new maritime quarter in this country, on the style of Baltimore with an impact far exceeding that of any Enterprise Zone. The economic and social prizes are great and it is now our wish to move towards their attainment in the ways described in this note.

ANNEX

STUDIES AND CONSULTATIONS

1. I commissioned studies some 12 months ago on the feasibility of constructing a barrage across the Cardiff Harbour Mouth and of the investment potential in the area. These reports were encouraging but needed further testing, in particular of the investment potential. The studies commissioned this summer have now been completed including one on the conservation implications.

2. Jones Lang Wootton have consulted the Chairmen/senior management of over 50 of of the leading financial institutions, property developers and other major UK Companies about the opportunities in South Cardiff.

3. I have had discussions with other leading UK companies and senior management in organisations in North America that have been involved with similar types of developments to those that I envisage in Cardiff to gauge their reaction to the feasibility and prospects of these developments taking place, and have visited several of the most successful projects of this kind in the United States.

4. Deep and prolonged discussions have been held with local authorities and public bodies in the Cardiff area and I have their support.

Prime Minister 4

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

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

The Rt Hon Nicholas Edwards MP

12 November 1986

CONFIDENTIAL

Dear Nicholas

You will know that when the locations of the 1988 and 1990 Garden Festivals were announced in November 1984 an undertaking was given that the 1992 Festival would be held at a Welsh site to be chosen nearer the time.

I received nine bids by the closing date of September 1985 and subsequently appointed a Working Party and, more latterly, Exhibition Consultants Ltd to advise me in my selection of the site. The Working Party included Lord Aberconway who had a direct involvement in the Liverpool and Stoke Festivals and Mr Jeffrey Bernhard the then Chairman of the JCLI.

At the end of the day the choice was not an easy one but, on balance, I have decided in favour of the proposals jointly put forward by Blaenau Gwent Borough Council and Gwent County Council for a site at Victoria Heights, Ebbw Vale. The site is the location of a former steelworks complex and is almost totally derelict, but the valley site presents a uniquely dramatic setting for a Festival which I see as offering a major contribution to my broader strategy for revitalising the South Wales Valleys in addition to the direct benefits on Ebbw Vale.

I shall be making my decision known to the promoters on the morning of 19 November followed by a written response in the House that afternoon. I would ask you to treat this information on my decision with particular confidentiality until 10.30 am on that day since experience has demonstrated that any early warning - even that a decision is due - could seriously damage the effectiveness of my announcement.

Copies of this letter go to the Prime Minister, Malcolm Rifkind and David Young.

Yours ever

Nick

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

4

PRIME MINISTER

7 November 1986

CARDIFF

AN INNER CITY ANALOGY

For years the docks and the nineteenth century commercial centre of the city has declined. Nicholas Edwards and Mark Robinson are facing the challenge of your Government with revolutionary and imaginative proposals for the old Tiger Bay and Cardiff Docks. I visited Cardiff with scepticism, expecting the begging bowl for public funds. I was impressed.

1. It is proposed to put a barrage across the mouth of the Taff. This would pond back the water throughout the dockland and would enhance land values by at least £150m. It would also have a huge spin-off on local business. However, thanks to the Dartford Tunnel funding victory, this project (£50m) could be funded in part privately if a road or rail and/or shops were leased out on top of the barrage.

2. Urban Development Grant provided a £2m dowry to the Holiday Inn Hotel chain to take a ghastly site on the edge of Docklands. The results included a Holiday Inn which was built costing £9m, local hotels that invested £5m to face competition for the newcomer and improvements in the streets around the new hotel. Further, the Holiday Inn generated international business and finally the existing hotels benefited by increased business. (The latter had opposed

competition before it came, but are now pleased their objections to planning permission were rejected by the Secretary of State!!)

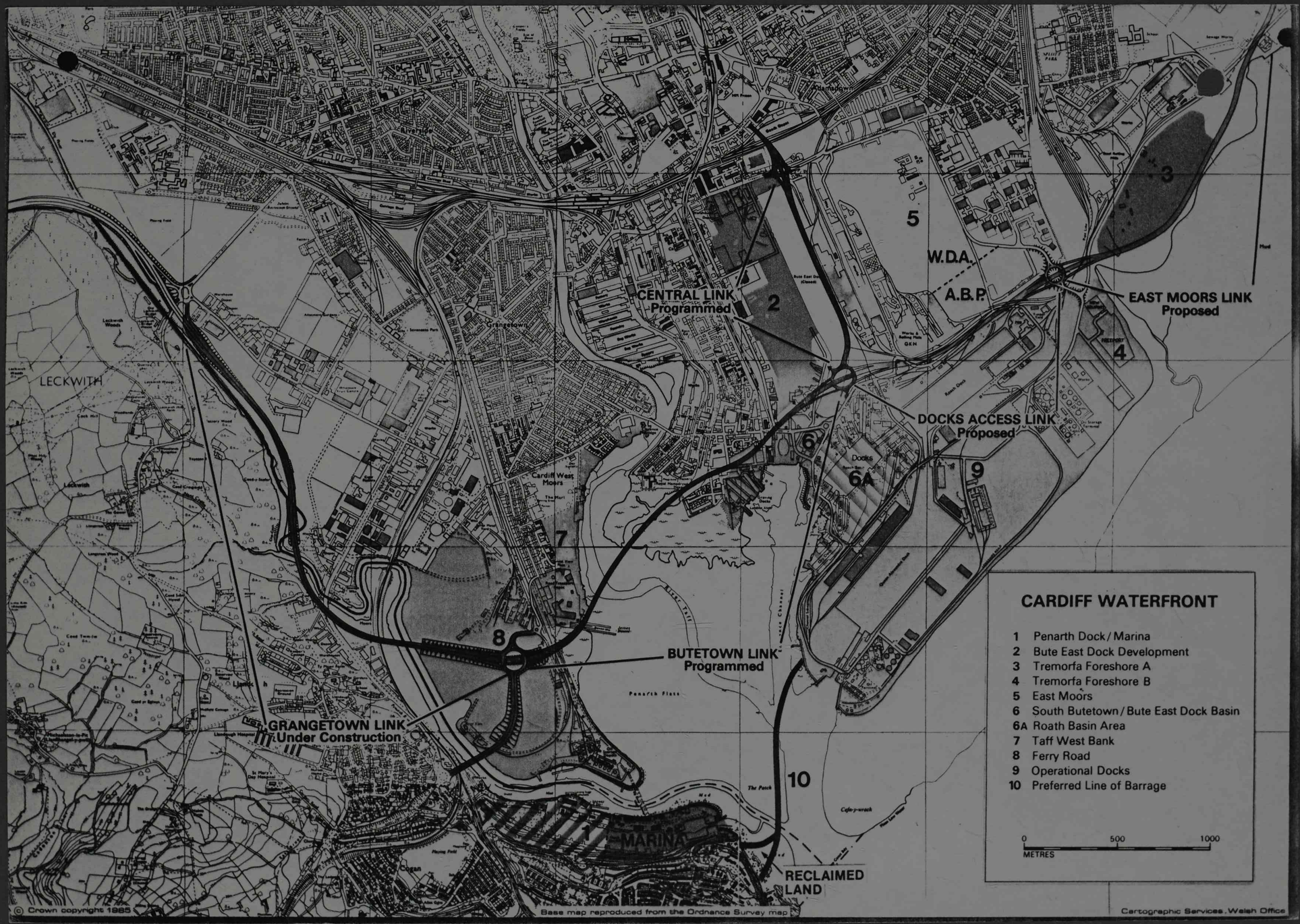
3. The Welsh Office will want to put a UDC into Cardiff Docks and will probably want to announce it this Autumn. They will or should say they can fund the cost (£50 million) themselves. While the UDC will provide a very welcome red tape crushing facility, precious little public money should be necessary. The intrinsic value of the site in Cardiff is superb.

4. England can learn from the Land Authority for Wales. It is a rare thing, a useful QUANGO. It does nothing but land assembly for redevelopment. It performs a quasi judicial function wielding compulsory purchase powers and has a budget constraint which forces it to sell its acquired land immediately.

I enclose a map of the Cardiff plan.

HB.

HARTLEY BOOTH


CENTRAL LINK
Programmed
W.D.A.
A.B.P.
EAST MOORS LINK
Proposed
DOCKS ACCESS LINK
Proposed
BUTETOWN LINK
Programmed
GRANGETOWN LINK
Under Construction
MARINA
RECLAIMED
LAND
LECKWITH
Riverside
Grangetown
Adamstown
Cardiff West Moors
Penarth Flats
Docks
1
2
3
4
5
6
6A
7
8
9
10
CARDIFF WATERFRONT
1 Penarth Dock / Marina
2 Bute East Dock Development
3 Tremorfa Foreshore A
4 Tremorfa Foreshore B
5 East Moors
6 South Butetown / Bute East Dock Basin
6A Roath Basin Area
7 Taff West Bank
8 Ferry Road
9 Operational Docks
10 Preferred Line of Barrage
0
500
1000
METRES
© Crown copyright 1985
Base map reproduced from the Ordnance Survey map
Cartographic Services, Welsh Office

Base map reproduced from the Ordnance Survey map

Cartographic Services, Welsh Office

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

David Norgrove Esq
Private Secretary
10 Downing Street
LONDON
SW1

Prime Minister ?

24 October 1986

DEV
24/10.

Dear David

UK REGIONAL DEVELOPMENT PROGRAMME

The Prime Minister asked for comments following the publicity about the UK Regional Development Programme recently submitted to Brussels.

The Scottish profile is one section of the UK submission. There has been similar critical publicity, initiated by Gordon Brown MP, in the Scottish media to that in England. This we have already sought to refute through a forceful article which Mr Ian Lang contributed to the Glasgow Herald and appears today on page 12.

So far as Scotland is concerned, we consider the problem is not the overall content of the programme but the very selective quotation from it. The material is not inconsistent with other published figures and, as its purpose is to provide the background to maximising European assistance. Our Ministers think it is naive and mischievous of their opponents, as Mr Lang's article stresses, to expect that the weaknesses and problems of regional development will not be highlighted. The Scottish profile, as no doubt also the English and Welsh volumes, also contains substantial evidence of the growth and potential of the Scottish economy. While clearly the difficulties facing traditional industries such as steel, shipbuilding and heavy engineering are recognised, there is also considerable stress on the encouraging prospects for electronics, high technology and especially health care and biotechnology, the food and timber industries, service industries such as insurance, finance and banking, and in particular tourism. The shopping list of potential ERDF applications for Scotland in the programme, if approved by Brussels, will, if achieved, make a very substantial impact on the infrastructure and other problems properly recognised in the profile.

If Dr Brown and his colleagues choose to pursue the issue, my Secretary of State believes that the Government have a sound rebuttal on these lines, although clearly, in doing so, it will be necessary to be careful also not to undermine the UK case with Brussels before the programme is discussed and formally adopted next year.

HMP29707

I am copying this letter to the Private Secretaries to the Secretaries of State for Trade and Industry, Environment, Transport, Health & Social Security, Wales, Northern Ireland, Employment and the Chancellor of the Duchy of Lancaster.

Yours

Andy

ANDY RINNING
Private Secretary

HMP29707

Inner Cities

Inner Cities

- Total expenditure on Urban Programme in England increased from £93 million in 1978/79 to £317 million in 1986/87 - doubled in real terms. More than £1.9 billion spent since 1979.

- Inner City partnerships in seven areas: allocated £123 million in total in 1986/87.

- Urban Development Grants of £99 million are stimulating private investment of £418 million.

- Urban Development Corporations in London and Merseyside have received £450 million of public money, stimulating private investment of more than £1200 million in London alone. Four more UDCs announced (Trafford, Black Country, Teesside and Tyne and Wear).

- Special inner city task forces set up in eight deprived areas to improve targeting of inner city funds.

- Spending on Derelict Land Grant from £23 million in 1979/80 to £84 million in 1986/87. About 3,500 acres reclaimed every year.

- Power to pay a new Urban Regeneration Grant in Housing and Planning Bill now before Parliament.

- Urban Housing Renewal Unit set up in June 1985 to help local authorities to tackle problems of rundown estates; £35 million already allocated to 63 approved schemes.

STATEMENT : URBAN DEVELOPMENT CORPORATIONS

8 October.

DEPT OF ENVIRONMENT

DW - to see

WITH PERMISSION, MY LORDS, I WOULD LIKE TO MAKE A STATEMENT ABOUT URBAN DEVELOPMENT CORPORATIONS.

MY RT HON FRIEND THE SECRETARY OF STATE FOR THE ENVIRONMENT IS TODAY ANNOUNCING THE GOVERNMENT'S INTENTION TO SET UP FURTHER URBAN DEVELOPMENT CORPORATIONS.

SUBJECT TO THE APPROVAL BY BOTH HOUSES OF PARLIAMENT OF THE NECESSARY DESIGNATION ORDERS, FOUR WILL BE SET UP DURING THE NEXT TWO YEARS IN TRAFFORD PARK IN GREATER MANCHESTER; ON TEESSIDE; IN THE BLACK COUNTRY; AND IN TYNE AND WEAR. THESE ARE ALL PLACES WITH MAJOR CONCENTRATIONS OF DERELICT OR DISUSED FORMER INDUSTRIAL LAND AND SERIOUS PROBLEMS IN CREATING EMPLOYMENT AND ATTRACTING NEW INVESTMENR.

UNDER THE LOCAL GOVERNMENT PLANNING AND LAND ACT 1980, THE AREA OF AN URBAN DEVELOPMENT CORPORATION IN ENGLAND MUST FALL WITHIN A METROPOLITAN COUNTY OR INNER LONDON. THREE OF THE URBAN DEVELOPMENT CORPORATIONS NOW PROPOSED WOULD LIE WITHIN METROPOLITAN COUNTIES. BUT TEESSIDE LIES WITHIN THE COUNTY OF CLEVELAND, WHICH IS NOT A METROPOLITAN COUNTY. THUS AN URBAN DEVELOPMENT CORPORATION CANNOT BE SET UP ON TEESSIDE UNDER THE LEGISLATION AS IT NOW STANDS. BUT THE PROBLEMS OF UNEMPLOYMENT AND INDUSTRIAL DERELICTION ON TEESSIDE ARE AS LEAST AS SEVERE AS THOSE IN ANY OTHER AREA IN THE COUNTRY.

MY NOBLE FRIEND LORD SKELMERSDALE HAS THEREFORE TABLED AN AMENDMENT TO THE HOUSING AND PLANNING BILL TO REMOVE THE PRESENT RESTRICTION ON THE DESIGNATION OF URBAN DEVELOPMENT CORPORATION AREAS IN ENGLAND.

010/2985

CG 89

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Ridley AMICE MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London
SW1P 3EB

NBR.

3rd October 1986

Dear Nicholas,

URBAN DEVELOPMENT CORPORATIONS

I have seen your minute of 1 October to the Prime Minister setting out your proposals for announcing the creation of new UDCs. I am generally content with what you propose on the basis we discussed in the Survey.

However I do not think the final sentences of the proposed announcement as it now stands adequately reflects what was agreed at E(A). We decided to consider further designations as resources permit. Your present draft of the announcement would commit us to more UDCs without reference to our ability to afford them and would make it difficult for us to halt or slow down further designations if resource constraints made that necessary.

I must therefore ask you to drop the penultimate sentence of the proposed statement, and replace it with: "We will be considering the possibility of creating more UDC's as resources permit." I would be content for you to make the announcement on that basis.

I am copying this letter to the Prime Minister, other members of E(A), and to Sir Robert Armstrong.

Yours ever,

JOHN MacGREGOR

REGIONAL POL Inner Cities PT8

FILE

JA

CBG

10 DOWNING STREET

From the Private Secretary

2 October, 1986.

Dear Robin,

URBAN DEVELOPMENT CORPORATIONS

The Prime Minister was grateful for your Secretary of State's minute (undated) to which he attached a draft passage for his Party Conference speech to announce the setting up of four new UDCs. The Prime Minister is content, subject to the views of colleagues, with the terms of the proposed announcement.

I am sending copies of this letter to the Private Secretaries to the other members of E(A) and to Sir Robert Armstrong.

Yours,

David.

(David Norgrove)

Robin Young, Esq.,
Department of the Environment.

cc CO DOT
HMT CST
NIO MAFF
D/N PGO
SO
NO CAL
WPSO DTI
D/M

dg

cc BG

Prime Minister

Content with the draft passage for Mr Ridley's speech?

Yes/no

ATTACHED

1/10

PRIME MINISTER

URBAN DEVELOPMENT CORPORATIONS

E(A) Committee agreed on 24 September that subject to the outcome of my discussions with the Chief Secretary on public expenditure I should announce proposals for up to 4 new Urban Development Corporations in my speech to the Party Conference on 8 October.

I have now reached agreement with the Chief Secretary on my Department's programmes for the survey period. I think I can just accommodate the many pressing demands on existing programmes and still make room for this important new initiative.

We have agreed that within my overall spending totals I shall have discretion to adjust the provision for individual programmes. With this helpful flexibility, and by phasing the launching of the individual UDCs (this will also minimise the calls on staffing) I am confident that I can successfully launch and take forward the UDC initiative.

I propose therefore to announce that we will be setting up over the next 2 years the 4 UDCs which E(A) agreed to - Manchester (Trafford Park), Teesside, Black Country and Tyne and Wear. I will make clear that the launches will be phased, and that there may be more later. The provisional text of what I plan to say is attached.

I would be grateful for your agreement to make the ananouncement in these terms.

I am copying this to other members of E(A), and to Sir Robert Armstrong.

NICHOLAS RIDLEY

October 1986

One further imperative. I have for long been appalled by the state of dereliction and decay in some of our older industrial cities. Decades of Socialist Council rule combined with the changing patterns of industry have left them in a wretched state. We set to work to tackle these problems with vigour. We have had to bypass the Socialist Councils to do this. We moved in with Derelict Land Grant; the Urban Programme helps to encourage businesses and jobs; our Urban Housing Renewal Unit is tackling the problem of bad housing head on. Spending on these programmes has increased from £328m in 1979 - £445m this year in real terms.

We have pioneered new concepts: Enterprise Zones and Urban Development Corporations. The UDCs in London Docklands and Merseyside have powers over planning, land assembly, and development. Take a trip round London Docklands and see what has happened. In five years it has been transformed from a desert of dereliction to a showpiece for British building, British design, British architecture, and British business. Both the Development Corporations have created thousands of new jobs by stimulating private enterprise. They have refurbished homes and offices. They have reclaimed hundreds of acres of derelict land.

The experiments have been resounding successes. But there is a massive job to do elsewhere. Our next move forward will be the creation within two years of more urban development corporations. The first four will be in Trafford in Greater Manchester; on Teesside; in the Black Country in the West Midlands; and in Tyne and Wear. There are more to come later. They will have powers to redevelop and rebuild both the fabric and the prosperity of these areas.

MT

CONFIDENTIAL

CCBG

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon The Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1

29 September 1986

Dear Willie

Following E(A) on Wednesday I have been thinking about the handling of the 'Teesside amendment' to the Housing and Planning Bill.

We must prevent the UDC announcement going off at half cock, and our not getting full credit for the decisions that we have taken. However carefully we framed the explanation given to the Opposition, it would be deduced that an announcement of UDC designations was on its way, and it would not be very difficult to predict when and where.

I have discussed the options with Roger Skelmersdale.

One option would be to table the amendment on 8 October, ie the day of the main announcement. On that day I would write to Opposition Front Benchers saying that (a) we had decided to set up a UDC on Teesside (b) that this would mean an extra £150m for tackling dereliction on Teesside over the next few years (c) that the necessary legislative amendment had been put down for consideration in Committee next week and (d) that either before or after the Committee discussion I would be willing myself to discuss the amendment with them. The amendment is to Part VI of the Bill and would not be reached until the third Committee day, ie 5 days later, 13 October.

The second option would be for me to proceed at Conference and for Roger to trail the amendment on 9 October, the second Committee day, which is the day after the Conference announcement. It would be easy to do this as the urban regeneration clauses already in the Bill stand to be reached on that day. I would at the same time write, as proposed in the first option, to the Opposition spokesmen. The amendment itself would then be tabled for Report on 17 October.

Roger and I are inclined to prefer the second case, of holding back the amendment until Report. Even though it might be thought to leave things to the last minute it would avoid any suggestions of rushing the debate in the Lords.

CONFIDENTIAL

Subject to your views, and those of colleagues, I propose to proceed on this basis.

I am copying this letter to the Prime Minister and members of E(A).

Yours ever

Nicholas

NICHOLAS RIDLEY

MT

10 DOWNING STREET

Prime Minister

Nick Ridley is in effect asking E(A) to rule in favour of one of his PES bids, but outside the Survey context and in the face of continued opposition from the Chief Secretary.

I do not think it would be advisable to overrule the Chief Secretary on this, so soon after the Dartford decision.

DRN
23/9.

cc B/UP

PRIME MINISTER 23 September 1986

URBAN DEVELOPMENT CORPORATIONS

A. Resumé of Initiatives

Enterprise Zones - basic rating relief zones - expensive and will be criticised in forthcoming Sainsbury Group.

Simplified Planning Zones - still unproven - still allow local authorities too much say.

City Action Teams - limited success, bow to local authority dictat.

8 Inner City Initiatives - little success, still struggling to show results. Seen as shoe string operation.

Urban Development Corporations - only London Docks a success, and that was a special case, but the only initiative to bypass local authorities.

B. Scope for Effective Future Initiative

We need to satisfy two overriding policy requirements:

(a) More direct control over recalcitrant and anti-enterprise local authorities.

(b) A major incentive or requirement for owners of derelict or unused inner city land or property to use or dispose.

C. Future Option

If you rightly reject the Ridley proposal for more UDCs, then you could ask him to work up proposals to design a new less expensive form of UDC in which:

- Rating or even penal rating on owners of derelict and certain unused inner city property could be imposed. (This is despite our abolition of general penal rates in 1980 and our abolition of general empty industrial rates in 1984.)

- Local authorities would be required to sell unused land - (our land register has sadly substantially failed).

- Automatic planning permission in various categories would be permitted.

- Direct control of central Government would be imposed.

HB

HARTLEY BOOTH

cc BS
cc BL/cp

CONFIDENTIAL

PRIME MINISTER

Further Urban Development Corporations

E(A)(86) 50 – Mag A.

DECISIONS

1. The Secretary of State for the Environment seeks agreement to announce at the Party Conference that the Government intend:

i. To designate a UDC for Greater Manchester;

ii. To commission studies of the scope for designating UDCs in seven other northern conurbations;

iii. To commission a study to evaluate the scope for a UDC or an alternative for East Birmingham.

BACKGROUND

Mag B

2. The Committee considered papers fromthe Environment Secretary and Chief Secretary in July on the possibility of designating further UDCs (E(A)(86) 19th Meeting, Item 1). They saw attractions in the Environment Secretary's proposals, provided that proper criteria for policy evaluation could be devised and provided they could be implemented by a diversion of funds from local authority capital allocations rather than from additional public expenditure. The Environment Secretary was invited to bring his proposals back once decisions had been taken on the local authority capital control regime.

3. The Committee also agree in principle that, subject to discussion with the Lord President, the Environment Secretary should take powers to designate UDCs in non-metropolitan, districts by removing a constraint in the present legislation. He was also asked to consider the desirability of reinstating East Birmingham within the planned ambit of the proposed UDCs.

CONFIDENTIAL

4. In July the Committee also noted that the Welsh Secretary might wish to seek approval for a UDC in South Cardiff. He will bring forward proposals during October: that case is different, and need not be considered in conjunction with the Environment Secretary's paper.

MAIN ISSUES

5. At the previous discussion, the Chief Secretary opposed the designation of further UDCs on the grounds that they were likely to have only limited and expensive success (like the Merseyside Development Corporation which had only attracted some £5 million of private sector investment), and that they would add to the plethora of urban policy initiatives. However, these general objections were in effect rejected by the Committee's welcome in principle to the Environment Secretary's proposals provided financial provision and the criteria for policy evaluation could satisfactorily be settled.

Finance

6. Annex C sets out the estimated annual gross and net public expnditure costs if all the UDCs are designated. Average annual net expenditure over the 12 year programme would be £83 million, with a peak of £145 million in year 3 (1989-90).

7. It has now, however, been decided that there should be no comprehensive reform of the capital control system during the present Parliament. This means that there is no prospect of finding the resources to finance the UDCs either from eliminating the likely overspend on capital or by moving resources from the shires to the metropolitan areas, at least before 1989/90 and possibly later. Although the bulk of the expenditure on the UDCs will fall after this date, the Environment Secretary has

put in a bid for additional provision of £15 million in 1987-88, £30 million 1988-89, and £45 million in 1989-90, and he has no other proposals for offsetting savings. This has been discussed in the current bilaterals but so far the Chief Secretary has not agreed with Mr Ridley how to accommodate it. Unless agreement can be reached in the context of the DOE's Other Environmental Services programme within the next week, the issue may have to be referred to the Star Chamber.

8. You will want to seek the Chief Secretary's views on the financing (which is likely to be the Treasury's principal concern, although he may wish to repeat some of his earlier criticisms of lack of evaluation criteria and of coordination). If the issue cannot be resolved before the Star Chamber, it would clearly not be prudent for Mr Ridley to make an earlier announcement. The delay might also mean losing the opportunity to take power to designate UDCs in non-metropolitan areas in the Bill now before Parliament (see paragraphs 10-11 below).

Evaluation Criteria

9. The Environment Secretary sets out in Annexes A and B the criteria he will use to justify the choice of the conurbations for the UDCs in terms of unemployment and dereliction, and the framework for policy evaluation. The latter is still very broad brush. He proposes aggregate performance targets for the amount of land to be brought back into use, the area of floor-space to be built or refurbished for private sector use, the amount of temporary employment to be created, and the amount of private sector investment to be attracted. He has not, however, related these to the amount of public sector resources to be committed, so that it is still not possible to compare this approach with other job creation instruments. The Chief Secretary may therefore feel that the case for adopting the UDC approach has not yet been made on value for money grounds.

Amendment of the 1980 Local Government, Planning and Land Act

10. The Environment Secretary would like to use the Housing and Planning Bill currently before Parliament to remove the restriction preventing UDCs being designated in non-metropolitan areas. This is necessary if Teeside/Durham is to be included. But introducing the amendment will signal clearly the Government's intentions, and can only realistically be done once the policy has been decided and announced. The Lords' Committee stage will be on 7, 9 and 13 October, and the Whips Office advise that any amendment should be tabled by 3 October.

11. The Lord President has not ruled out the possibility of using this Bill, but is concerned about pressure on business in the Lords in October. The fallback would be to include a clause in next Session's Local Government Bill, although that would widen its scope. The issue will have to be referred back to the Lord President in the light of the discussion.

HANDLING

12. You will wish to ask the Environment Secretary to introduce his proposal. The Chief Secretary, Treasury will wish to respond. The Paymaster General and othermembers of the Committee will wish to contribute.

J B UNWIN

001/1285
010

CGG.
DN

CONFIDENTIAL

NBPM.

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Paul Channon MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1 - 19 Victoria Street
London
SW1H OET

1 September 1986

Dear Paul,

REGIONAL ASSISTANCE

WILL REQUEST IF REQUIRED

Thank you for your letter of 4 August. I was also grateful to receive Malcolm Rifkind and Wynn Roberts' letters of the same date. As you will be aware, the main issues have since been discussed by officials from all four Departments.

I understand that work is now in hand on developing reliable forecasting and monitoring systems. This should clearly go ahead quickly. I also understand that the three Departments have done some work on the distribution of regional assistance, and the rigour and consistency of administration of RSA; and that the results of this work will be reported to you (and to Malcolm Rifkind and Nicholas Edwards) in time for our Survey discussions. It is a pity that it has not so far proved possible to involve Treasury officials - but I hope that they can now be brought in straightaway. Indeed I believe that consideration by all four departments of the results of this analysis is an essential prerequisite of any discussion between us on regional assistance.

You will be aware, from my letter of 7 July, of the importance I attach to a thorough scrutiny of the way in which we appraise projects. If, as I understand is likely to be the case, the results of the work done last month are inconclusive, more in depth analysis by all four departments will be necessary.

The nature of the work done on distribution and the rigour and consistency of administration underlines the extent to which the interests of the three Departments are involved in any discussion of regional assistance. Your own bid to postpone the moratorium on RDG 2 has expenditure implications

CONFIDENTIAL

for Malcolm and Nicholas' programmes as well as for your own. Against this background, I think it would be sensible for us to discuss Regional Assistance at a separate quadripartite meeting (with Malcolm and Nicholas) and not, as currently envisaged, in the bilateral discussion which can focus on DTI matters. This separate meeting will give us an opportunity to consider, in addition to the issues of monitoring and the rigour of appraisals:

- The level of provision. I am not persuaded that overspending on regional assistance as a whole is a short term problem. I do not regard forecast overspend of 7 per cent above baseline provision (some £30 million for 1987-88 and 1989-90) as negligible.

- The distribution of provision. I accept that the current review (before the transitional period is complete) should not be regarded as a once-for-all exercise, and would be prepared to accept a second, and final, review in, say, 2 years time when the new policy has settled down. But stability and certainty of financial provision are essential for effective financial management and control; and I am not prepared to accept that the review process should be an annual event.

- Commitment limiting. The E(A) remit on this is still outstanding. It is deplorable that my request that work on this should be pursued has met with such negative response. It is essential as a minimum first step that we should have effective machinery in place for 1987-88 to alert us when commitments are likely to breach agreed PES provision so that we can decide how to deal with the problem.

- Any action we do take will depend in part on the nature of RSA. I understand that some Departments at least take the view that they could not accept any limit on their ability to offer RSA to eligible projects. I cannot accept such an open-ended commitment for a selective programme and cannot see the justification for it in either statutory or policy terms.

Finally, though not part of the Survey discussions, I should touch, in this letter, on the forecast overspend in 1986-87. I note Malcolm's undertaking to examine the scope for offsetting savings to meet the forecast overspend, but I cannot accept the assumption in all three Departments that the overspend - or at least the greater part of it - will automatically be met from the Reserve. As you know, the position on this year's Reserve is very tight and expenditure control has to be pursued rigorously. The prospective total overspend of £157 million on RDG and RSA is unacceptable and I must ask each of you to consider urgently every means of containing expenditure and finding offsets. Unless progress

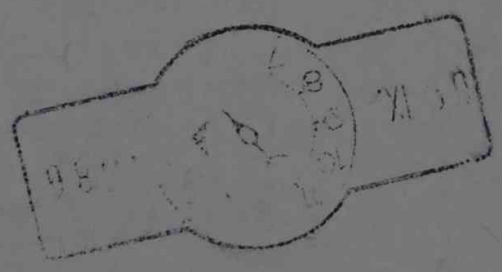
is made here, we may need to look seriously at the question of moratoria going beyond those already agreed. As I stressed in my letter of 7 July, I can offer no prospect of increasing the provision for regional assistance for 1986-87 (or beyond) unless deliverable offsetting savings are offered up on the cash limited provisions of the Department concerned. It is therefore vital that every effort is made to minimise the overspend.

I am copying this letter to Malcolm Rifkind, and Nicholas Edwards, other Members of E(A) and to Sir Robert Armstrong.

Yours ever,

JM

JOHN MacGREGOR



cc BG
(letter only)

CABINET OFFICE
WHITEHALL, LONDON SW1A 2AS

Chancellor of the Duchy of Lancaster

Tel No: 233 3299
7471

5 August 1986

Tim Flesher Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

PS

Dear Tim,

Thank you for your letter of 4 August. The Chancellor of the Duchy has received a copy of the LDDC Annual Report from the Corporation. He shares the Prime Minister's interest in the progress made by the Corporation, which was enhanced following a visit to the Docklands which the Chancellor made on 17 June.

Thank you for the copy of the report, which is returned herewith.

Yours Sincerely,

Andrew Lansley

ANDREW LANSLEY
Private Secretary

ENC

REGIONAL POL: Inner Cities PT8

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 7448 (Llinell Union)
Cod. with yr Is-Ysgrifennydd Seneddol

CC PSG Noc. 8

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 7448 (Direct Line)
From The Parliamentary Under-Secretary

4 August 1986

CONFIDENTIAL

REGIONAL ASSISTANCE

I am responding to your letter of 7 July to Paul Channon in Nicholas Edwards' absence.

Nick wrote to you on 19 June about the problem with 1986/87 expenditure which, as he explained, became evident in Wales following the receipt in May of claims for old-style RDG. While I would be content for my officials to participate in discussions to look at ways of improving the monitoring system I think it is particularly important that we should all keep in mind the one off nature of this problem during a transitional period and the fact that the present monitoring system has sounded such an early warning.

The latest information available to me shows a forecast overspend in this financial year on RDG of about £48m in Wales. As Nick made clear in his letter, the only offset that we can identify is from our RSA programme and this is estimated at present at £5.5m. In these circumstances we will have no alternative but to call on the reserve which surely is wholly appropriate in a situation such as this. We will be keeping the position under review and will be seeking a Winter Supplementary in due course on the basis of the latest information then available.

More generally, I have also agreed that my officials together with those of the Scottish Office and DTI should review the present distribution of resources. And I am, as I have said, content for my officials to join in discussions to see if monitoring can be further improved; but I am bound to say that I am wholly unsympathetic to a system which would go beyond that with its implications for a demand led programme and its effect on industry's investment plans and decision making. There would also be considerable political repercussions of introducing such a system.

/You are ...

The Rt Hon John MacGregor MP
Chief Secretary

REGIONAL POL. Inner Cities 018

You are already aware of Nick's views on the suggestion that the moratorium on RDGII be deferred. We cannot find the resources required from within our existing baseline; and clearly it is common ground between all of us that any deferment would have to take place in England, Scotland and Wales or not at all.

I am sending copies of this letter to Paul Channon and Malcolm Rifkind.

Approved by Mr Wyn Roberts
and signed in his absence

.010

CC/BG

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

The Rt Hon John MacGregor OBE MP
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

4 August 1986

Dear Chief Secretary.

REGIONAL ASSISTANCE

Thank you for copying to me your letter of 7 July to Paul Channon.

I think there is a danger of over-reacting to a short term problem. Spending on regional assistance for Britain as a whole was close to provision last year. In the forward years, the forecast of aggregate additional requirements is as low as £12 million in 1988-89 and even in the other years, when the forecast additional requirements are higher, they still represent only about 7% of baseline provision.

1986-87 is an exception to this pattern for readily identifiable reasons, which will not apply in future years. The high additional requirements arise largely from the cost of the last stage of the transitional arrangements to phase out RDG I. It is inherent in the terms of those transitional arrangements that the expenditure will not continue on anything like the same scale.

I think this leads to two conclusions.

First, there is no case for changes either to regional policy or to monitoring and control arrangements. The one-off problem of 1986-87 would be unaffected by such changes. In any case, changes in regional policy would require discussion in E(A). Moreover, I do not accept that monitoring and control have been deficient. All three Departments were able to tell you of this year's problem and its probable scale after only two months of the financial year. I think that is a standard of early monitoring which must stand comparison with the majority of spending programmes.

Second, this year's forecast overspends are a classic example of the type of uncontrollable demand which the Reserve exists to cater for. We have legal commitments to make the payments. There is no option about making provision. It is true that one could, in theory, shuffle some of the additional costs into next year. However, we surely do not wish to arouse major hostility in the business community, and add to the

AEP21201

difficulties faced by individual businesses which have responded to our exhortations to invest, merely for the sake of moving expenditure across the boundary of the financial year. The normal rules on access to the Reserve must apply. I will examine the scope for offsetting reductions and I will keep the forecast of additional requirements under review, since there is still the possibility that they will come down. However, the balance between the additional requirements and any offsetting reductions must be met from the Reserve.

You also mentioned the review of the division between Departments of existing baseline provision and Paul Channon's proposal to postpone the introduction of the moratorium on RDG II.

The three Departments have agreed that the review should begin now and produce some findings within the timetable of Survey discussions. Officials are having preliminary discussions and will be in touch with your officials in due course. We have agreed that the review process, which is in a sense a continuous activity, cannot be artificially curtailed. Agreement to transfer provision for regional assistance between Departments in future Surveys must be a matter for the Departments concerned. Any need for provision above baseline is, of course, a different matter and would have to be discussed with you in the normal way. This simply points to the desirability of any inter-Departmental discussions about the distribution of baseline being concluded in advance of final Survey decisions, so that the relationship of baseline to individual Departments' requirements is clear.

This latter point is relevant to my position on the postponement of the RDG II moratorium. I wholly agree with Paul Channon about the political undesirability of introduction on 1 April 1987. However, I cannot set that consideration in the context of other priorities within my very narrow industry programme while the redistribution of baseline for regional assistance remains unresolved.

I am copying this letter to Paul Channon, Nicholas Edwards, other members of E(A) and Sir Robert Armstrong.

Yours sincerely

Andy Kuring

MALCOLM RIFKIND
Approved by the Secretary of State and signed in his absence

AEP21201

010

CCBG

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215) 5422
GTN 215)
(Switchboard) 01-215 7877

Secretary of State for Trade and Industry

CONFIDENTIAL

4 August 1986

The Rt Hon John MacGregor OBE MP
Chief Secretary to the Treasury
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

BPPS.

Norman

Dear John.

REGIONAL ASSISTANCE

Thank you for your letter of 7 July.

att.

It is important to keep a proper perspective in looking at the present situation. While all three Departments are forecasting overspends in the current year, this is largely due to payments under the old Regional Development Grant Scheme. This is a temporary phenomenon and needs to be addressed as such. Forecast overspends for the PES years are very much smaller and provide no justification for introducing fundamental changes in our regional policy - put in place less than two years ago - which would be damaging both in terms of cost-effectiveness and political impact.

As far as the current year is concerned the DTI's latest "technical" forecast is for an overspend of £45 million net, which is more than fully accounted for by an expected excess of £47 million in payments of old RDG. While the forecast for old RDG is fairly robust, however, the figures for new RDG and for Regional Selective Assistance are much less so. Given the uncertainties of the forecast I do not intend to call for a supplementary estimate on the basis of current figures but I shall be reviewing the position in September/October - taking account also of progress on other elements in the same Vote - and if it proves to be necessary I will make my case for a Winter Supplementary at that time.

JF6AHN

1786 1986 BOARD OF TRADE BICENTENARY

999-1

CONFIDENTIAL

The fact that provision is proving inadequate is not particularly surprising. We always knew that expenditure would be difficult to forecast during the period of transition from the old policy to the new. There is little that can be done to avoid the overspend. We already have a four-month moratorium on payments of old RDG and lengthening the period would not have much effect on spending this year. To call for offsetting savings seems to me simply unrealistic: it is precisely to cater for such unforeseeable and temporary contingencies that the reserve exists.

Turning to other aspects of your letter, as I have said I do not think the prospects in future years are nearly as serious as you imply. I am prepared for my officials to discuss with yours possible improvements in the monitoring of commitments so that we have the best available information on likely future spending patterns. But I would be opposed to any system which would lead to moratoria on offers or applications of RSA, which has always been regarded as a demand-led scheme. The uncertainty introduced by moratoria or even the threat of them would seriously damage the effectiveness of the scheme in influencing companies' investment decisions.

On the question of a common pool I again find your position unrealistic. I see no prospect of reversing the process whereby administration of regional assistance has been transferred to the Scottish and Welsh Offices. Yet equally there can be no possibility of a once-for-all review of the distribution of provision when we are in the middle of a transitional period. The distribution will have to be kept under review until the new policy settles down into a consistent pattern and we have a sound basis on which to forecast future needs. I have agreed with Malcolm Rifkind and Wyn Roberts that our officials will take a look at the distribution issue now in the light of experience since November 1984, albeit that experience is distorted to an unknown degree by the transitional arrangements. The results of these exchanges will be reported to the Treasury. The discussions will include the question of the consistency of administration of RSA which you also mention and which I agree needs to be examined.

Finally I note your comments on the question of a moratorium on new RDG. In the PES context I shall press strongly for my proposal to meet the cost of deferring the moratorium from savings which I have identified in other demand-led programmes. This would effectively reverse the process which took place last year when Leon Brittan reluctantly went along with the idea of a moratorium in order to meet higher expenditure then foreseen on other programmes.

1786 1986 BOARD OF TRADE BICENTENARY

JF6AHN

999-49

CONFIDENTIAL

Your position that savings must be found from cash-limited budgets is thus entirely inconsistent with what was decided last year. However I accept that the moratorium will have to be deferred in all three countries if it is to be deferred at all. This is therefore another matter on which my officials will be talking to the Scottish and Welsh Offices before we discuss it in the bilaterals.

I am sending copies of this letter to Malcolm Rifkind, Nicholas Edwards, the other members of E(A) and Sir Robert Armstrong.

Yours,

Paul

PAUL CHANNON

1786 BOARD OF TRADE BICENTENARY

JF6AHN

999-49

MJ 2CHD

10 DOWNING STREET

From the Private Secretary

4 August 1986

The Prime Minister has been sent a copy of the Annual Report of the London Docklands Development Corporation for 1985/86. She found this particularly interesting and has asked that the attention of the Chancellor of the Duchy of Lancaster should be drawn to it. If you have not already had a copy perhaps you could return the attached after the Chancellor has seen it.

Tim Flesher

Andrew Lansley Esq
Chancellor of the Duchy of Lancaster's Office.

CCBG

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon Kenneth Clarke QC MP
Paymaster General
Department of Employment
Caxton House
Tothill Street
LONDON
SW1H 9NF

4 August 1986

Dear Paymaster General,

N

Thank you for your letter of 28 July in reply to mine of 18 July. I have also seen Douglas Hurd's letter of 24 July supporting your proposals.

will regret all these if reg'd.

As you know, I take a different view. But I note from the record of E(A) on 21 July that you will be discussing further with myself and other colleagues how your proposals to encourage the use of local labour might best be formulated to avoid conflict with the Government's policy on contract compliance and whether any alternative means of attaining your objectives can be devised. I assume you will be putting proposals to colleagues after the break and I look forward to further discussion of this issue.

attached

Copies of this letter go to the Prime Minister, all other Cabinet colleagues and to Sir Robert Armstrong.

Yours Sincerely,

J. Cunliffe

p.p. JOHN MOORE

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

004/2985

010

CCBG

CONFIDENTIAL

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon John Moore MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB

NBPM.

28 July 1986

Dear John,

DOCKLANDS LIGHT RAILWAY AND CANARY WHARF

WITHDRAWN

Thank you for your letter of 23 July.

I understand that it is a matter of urgency to agree the terms on which the Consortium is to cover the £8.5 million costs which you mention. Your proposals do seem to be within the spirit of the original concession to the Consortium under which it was accepted that the Consortium might be reimbursed if all of the expenditure proved to be nugatory. On the basis that you are satisfied that the risk of the Bill not being enacted by 31 March 1987 is minuscule, I would not object to your proposals.

I am copying this letter to the Prime Minister, John Biffen, Norman Tebbit, Nicholas Ridley, David Young, John Wakeham and Sir Robert Armstrong.

Yours ever,

John

JOHN MacGREGOR

CONFIDENTIAL

REGIONAL POLICY
INNER CITIES
PT 8

CJB/NJW

24 July 1986 PL26/7

London Docklands
Development Corporation
Thames House
Basin South London E16 2QY
Telex 894041 LDDC G
Telecopier 01-511 2115
Telephone 01-476 3000

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

1. Ack with thanks/etc. 28/7

2. Prime Minister

Worth a glance.

DGW
28/7

Dear Prime Minister,

I have pleasure to enclose a copy of the London Docklands Development Corporation's Annual Report and Accounts for the year 1985/86 which incorporates the review of activities of the Corporation which I hope you will find of interest.

Yours sincerely

Christopher Benson

Christopher Benson

Please see that the Chancellor of the Duchy sees this note

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon John MacGregor OBE MP
Chief Secretary to the Treasury
HM Treasury
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

24 July 1986

Prime Minister
The meeting with the promoters of Canary Wharf went well.

Dear John.

DLV 25/7

DOCKLANDS LIGHT RAILWAY AND CANARY WHARF

As agreed in at Tab the correspondence which rests with your letter of 16 July, Nicholas Ridley and I met Mr Travelstead and his associates in the Canary Wharf Consortium on 23 July. I am glad to say that one outcome of the meeting was that we got him to agree that an agreement must now be reached relating to the costs of upgrading the Initial Railway. Mr Travelstead is ready to meet the costs of this, up to £4.5m, but there are two points I need to bring to your attention.

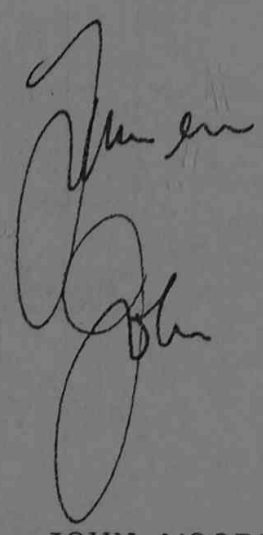
The first relates to the circumstances in which these payments would be reimbursable to the Consortium. It has always been agreed that they would not be reimbursed if the Consortium of their own volition abandoned the Canary Wharf project, but that they would be reimbursed if the project was frustrated because the Bill for the Railway Extension failed to receive Royal Assent through no fault of the Consortium. However, Mr Travelstead argues that some time limit must be set to this, and has suggested that the Bill should be regarded as having failed if it is not through by 1 January next. The Bill is in fact now in the Lords and there is no reason to foresee a problem. We obviously cannot guarantee passage by 1 January, since we do not control the timetable of what is a private Bill. But for the purpose of an agreement about the upgrading costs it seems reasonable to accept a date of 31 March 1987.

The second point concerns some other costs in addition to the upgrading cost. During the passage of the Bill in the Commons, LRT have been obliged to give undertakings, with the agreement of the Consortium, to secure the

withdrawal of two petitions, and in consequence of these undertakings, money has to be spent in advance of the passage of the Bill. In the first, money has to be spent now in modifying the foundations of a building under construction on the line of the proposed extension. The second case is similar, and the expenditure arises in the autumn. Together, these represent costs approaching £4m, which are to be met by the Consortium. They are of character similar to the upgrading costs, and the Consortium claim that they should be reimbursable under the same conditions as the upgrading costs. It is difficult to argue against that.

The contingency is therefore that expenditures up to a total of £8.5m would be reimbursable to the Consortium if the project failed to go ahead for the reason that the Railway Bill had not received Royal Assent by 31 March 1987 for reasons other than the fault of the Consortium. Unless you see difficulty, I propose to authorise LRT to go ahead with the upgrading works at the cost of the Consortium on this basis.

I am sending copies of this letter to the Prime Minister, the Lord Privy Seal, the Chancellor of the Duchy, the Secretary of State for the Environment, the Secretary of State for Employment, the Chief Whip and Sir Robert Armstrong.



JOHN MOORE

REGIONAL POL: Inner Cities PT8

cc, B/UP

PRIME MINISTER 18 July 1986

URBAN DEVELOPMENT CORPORATIONS

As an application to spend between £100m and £200m of taxpayers' money to set up 7 UDCs DoE fail to make their case. Their argument is little more than a guess based on partial evidence. They do not:

- evaluate the successes and problems of the existing 2 UDCs;

- offer any comparison with other development agencies such as Scotland and Wales;

- produce any detailed plans for any one of the 7 projected UDCs;

- evaluate any other options which may achieve their objectives.

A. **The main question marks beside UDCs which must be addressed before any other UDCs are considered are:**

(1) UDCs are for large tracts of derelict urban land. Although no minimum is specified in the Act, 800 acres of Merseyside is thought to be too small. Is there not a case for the next urban initiative to be flexible in order to assist either small or large areas? A good

example of an area too small to be a UDC but in great need of some of the UDC powers, is an area of 50 acres we have inspected in the middle of Bradford.

(2) Secondly, we agree with John MacGregor that new UDCs could well be expensive. The Treasury figures for the true gearing of funds in Merseyside, including land reclamation is £1 of private money to every £15 public sector funding. By contrast, London Docks have a much better gearing; for £400m public funds, £1b of private funds has been invested. But London Docks is probably unrepeatable: special factors include, few residents and proximity to the City and the financial market.

650.
MDC
300000
per job

B **Instead cheaper and greatly needed would be:**

Development agencies with legal power for speedy site assembly and disposal of land.

(1) The Worst Problem

The appalling problems of site assembly are, for example, evident in Sheffield and Bradford. Developer after developer is lured into the derelict tangle of property in these places only to be forced to retreat when faced with the insuperable problem of forming a consortium to put together the jigsaw of property whose owners often disagree or are intractable.

(2) The Solution

Choose a development agency on whom to grant vesting powers (hopefully over private as well as public sector land).

The candidates from among existing development agencies who could handle this are:

- DoE upon recommendation by Phoenix a private initiative group supervised by a good man, Chris Ledger of Shell UK. A DoE Minister sits on the board of Phoenix. (We prefer this one.)

- Phoenix itself. This option was vetoed by Nicholas Ridley, following the strong advice of DoE officials.

- Local Authority. This is a bad option - to be avoided because local authorities have a poor record on land disposal.

The vesting powers would operate to allow an authority to take ownership and control over property speedily and sort out compensation later. This is much better than compulsory purchase which is delayed by interminable wrangles over compensation.

C. Conclusion

We recommend that DoE's application for approval of the repeal of Section 134 (2) of the Local Government Planning and Land Act 1980 be deferred until they provide a proper evaluation of existing UDCs and comparison with the worthwhile Scottish and Welsh Development Agencies. We suggest DoE take powers to solve the problem rather than go down the expensive UDC route.

These powers should enable DoE or a Development Agency to crash the barriers to land assembly by the use of vesting orders.

HARTLEY BOOTH

PRIME MINISTER

URBAN INITIATIVES

(1) Inner City Initiatives

Sadly, Kenneth Clarke's paper has little to report. Fostering enterprise sounds marvellous but the jewel here "Project fullemploy" antedates the inner city initiative by two years.

Contracting to use local labour is hardly very new. We are very sceptical that High Street Banks will be little use without major arm twisting or "incentives". Young black businessmen we have interviewed universally received the "cold shoulder". The insurance problem can be overstated because so many black businesses are service orientated where insurance is unnecessary such as hairdressing but for new manufacturers we might help towards their first insurance? The enterprise allowance has a capital threshold of £1000 which is too high for many.

Government premium?

What is most urgently needed is more support for fullemploy. Its objective of training long term unemployed who have the germ of an idea is inspiring. For example we met a young black woman who had been unemployed for two years and was given a twelve week Full Employ training: four months later she was already employing three others in office cleaning. Similar stories are reported by many others.

If the 8 initiatives are to continue they need to be led by businessmen not civil service principals. You might press for progress.

(2) CATs

Kenneth Clarke admits progress cannot be spectacular or speedy. We remain gloomy that CAT's will be wrecked on the

intransigence and political in-fighting by local authorities such as Manchester. Has the Paymaster General any proposal to break the stranglehold of these authorities?

HB.

HARTLEY BOOTH

18 July 1986

JA2ACI

cc B|UP

CONFIDENTIAL

P 02185

PRIME MINISTER

PROGRESS WITH INNER CITIES INITITATIVES
[E(A)(86) 35 and Minute from the Home Secretary of 17 June]

MAIN ISSUES AND OBJECTIVES

1. The purpose of this item of the agenda is twofold: first to assess progress on the various recent Government initiatives in selected inner city areas against the worrying background outlined in the Home Secretary's minute; and second to provide a context for considering the proposal for further urban development corporations (UDCs) under the second item on the agenda. No decisions are required now but you will wish to satisfy yourself

i. that the inner city initiatives are on the right track and progress is as expected;

ii. that there is a clear and coherent Government line on inner city policy which can be effectively presented if there is any recurrence of last year's disturbances later in the summer.

BACKGROUND

2. In his minute to you of 17 June the Home Secretary reported that there had been no significant improvement in the situation in inner city areas since last autumn; underlying tensions remained just below the surface and were shown in frequent attacks on the police, resistance to law enforcement action and general anti-police hostility. He painted a disturbing picture of the street culture of drugs, crime, violence and hostility to

authority among unemployed young people - particularly but not exclusively Afro-Caribbean - and reported the steps that police forces were taking both to improve their preparedness for any trouble and to prevent it by building good relations with the local community. His conclusion was that the police could not cope on their own; they needed the support and assistance of local people and other agencies. It was also necessary to prevent the pool of disaffected youth in these areas being constantly replenished. Presentation of Government policy in this area needed to stress both the positive action being taken and that any disorder would be met with a firm and resolute response. Following the Home Secretary's minute, you asked for an account of steps taken to improve the underlying situation in the inner cities and for advice on whether there were any other steps which ought to be taken.

POLICY INITIATIVES

3. The Paymaster General's paper (E(A)(86) 35) responds to this remit. It reports progress on the two main initiatives that have been carried forward: the Inner City Initiative (ICI) and the City Action Teams (CATS).

Inner City Initiative

3. The ICI was set up in February with a budget of £8 million following discussion in your Group on Urban Policy (MISC 104). Task forces have been established in 8 areas. Its aim is to foster enterprise especially amongst the ethnic minorities with the objective of reducing the very high youth unemployment in the selected areas. As such it is directed very specifically against the disaffected street culture described bythe Home Secretary. Since February the task forces have established themselves in sometimes hostile environments, examined the situation on the ground and begun to develop plans and proposals.

4. There are four main areas of activity to date.

(i) Encouraging the employment of local labour. Under the urban programme substantial sums are expended on inner city regeneration and refurbishment but there is resentment when the jobs that result are taken by commuters rather than locals. There is a delicate balance here between awarding contracts on strict commercial grounds and encouraging local employment. The Paymaster General seems to be striking the right balance by avoiding any question of formal contract compliance while encouraging firm tendering for contracts to employ local labour.

(ii) Black businesses. An important part of the initiative is to encourage small black businesses. Support is already being given to the Black Business in Birmingham Initative. Plans are being made to encourage similar initiatives in other task force areas and to encourage black and Asian participation in MSC programmes, especially the Enterprise Allowance Scheme.

(iii) More general activity. The main areas of activity are attempts to persuade the banks and insurance companies to help small businesses. Insurance of premises and stock in run -down city areas is a particular problem for small businesses.

(iv) Building up local capacity. The task forces are drawing here on experience in the United States of the key importance of getting good people and good organisation on the ground in these places to get things done.

5. The Paymaster General stresses that there are no quick and easy answers and results will only emerge slowly. This is very much the experience of similar initiatives in the United States. But the Initiative seems to be bedding down well and there seems no reason to question the Paymaster General's conclusion that it would be premature to introduce further measures in this area at present (except the proposal for UDCs, which he strongly supports

as being complementary). He proposes to carry out a more in-depth review in the autumn with the assistance of PA Cambridge Economic Consultants and, unless the Committee have any fresh suggestions, you will want to ask him to report the outcome of this as soon as it is available.

City Action Teams

6. The second leg of recent initiatives is CATS . These were set up in April 1985 following discussion in your Group on Urban Policy and report to the Employment Secretary. Their prime function is to see that Government activity in designated inner city areas is effectively co-ordinated and promoted and that money spent is targetted in the right areas, particularly the encouragement of enterprise. It is not easy to judge whether real progress has been made. Some local authority resistance has been worn down and useful contacts have been made. But much still needs to be done on forging better links with the private sector; despite the teams' efforts this is still patchy to date. It is probably too early to call the results into question, but you may like to ask the Paymaster General and Employment Secretary whether they have any ideas on how swifter progress might be made within the existing broad terms of reference.

HANDLING

7. You will want to establish whether the sub-committee is satisfied that the initiatives are on the right course. You will want to invite the Paymaster General to introduce his paper. You may then want to invite the Home Secretary to comment from the point of view of his concern at the public order problem presented by disaffected youth. The Environment Secretary, the Education Secretary the Industry Secretary and the Welsh Secretary will have comments from their departmental viewpoints. The Chancellor of the Exchequer and the Chief Secretary may wish to emphasise the importance of proper evaluation of the activities effectiveness and value for money. Clearly the review

proposed in the autumn will be important here; the employment of the consultancy team to assist in this evaluation was agreed with the Treasury. You will also wish to establish that the positive measures the Government is taking in this area are presented effectively. The Chancellor of the Duchy and the Home Secretary may have particular points to make in this area.

J B UNWIN

18 July 1986
Cabinet Office

ccB/UP

P 02184

PRIME MINISTER

Further Urban Development Corporations

[E(A)(86) 36, E(A)(86) 38, and Minutes of 9 July from the Secretary of State for the Environment and 16 July from the Secretary of State for Wales]

MAIN ISSUES AND DECISIONS

1. The main issue is whether the possible designation of further Urban Development Corporations (UDC) for England and Wales should be announced. Subject to discussion, decisions are needed on:

1. whether the Secretary of State for the Environment should announce now the Government's intention to designate UDCs in the seven conurbations listed in Annex B to E(A)(86) 36;

2. whether a UDC should be contemplated for South Cardiff (as proposed by the Welsh Secretary);

3. whether to refer consideration of the financial consequences to the PES discussions;

4. whether to repeal section 134(2) of the Local Government Planning and Land Act 1980 in the current Housing and Planning Bill which restricts UDCs to metropolitan districts.

BACKGROUND

2. UDCs are statutory corporations established and appointed by Ministers. Their main functions are to acquire land (by compulsion where necessary) and prepare it for development and eventual disposal to the private sector. They are empowered to provide basic services (water, gas etc) and to carry out building and other operations. The Secretary of State may transfer to a UDC

the planning and building control powers normally vested in the local authority. They can therefore tackle the problems of dereliction in a unified way.

3. The case for further UDCs put forward by the Environment Secretary is that they are the best instrument to tackle the dereliction and economic decay in the Northern conurbations, and establish an environment in which new enterprise can flourish. The existing local authorities are thought to be either incapable or unwilling to do an effective job themselves (although they do not behave like Liverpool).

MAIN ISSUES

4. The Sub-Committee will need to consider:-

(i) whether of the various instruments of urban policy UDCs are best fitted to take on this role;

(ii) whether UDCs are likely to be cost effective;

(iii) if the proposal is agreed, how to finance it.

Urban Policy Instruments

5. These include enterprise zones, programme and partnership authorities, task forces, and urban programme and derelict land grants. There are also UDCs in London and Liverpool. There is thus a risk that establishing more UDCs will further dissipate effort and cut across existing work. But alone of the instruments UDCs provide a mechanism for breaking through the particular problem of areas where the land is held by a variety of public sector bodies, and an agency is needed with power to acquire and rationalise holdings, to manage an area in a comprehensive way, to provide the necessary infrastructure, and to circumvent the local authorities. So if the seven areas identified by the Secretary of State are in need of a comprehensive approach on these line, UDCs could be the right mechanism.

6. Establishing a UDC does, however, represent a major reduction in the powers of the local elected authorities. The existing UDCs were established in areas in which relatively few people lived. Opposition to further UDCs can therefore be expected. Some authorities may argue that if they had the same resources and powers as UDCs they could do as good a job. Many authorities, however, do not have a single-minded appraoch to developing new enterprise, and the Committee may feel it is justified to transfer powers from them.

Cost effectiveness

7. UDCs will be expensive. Preparation of land will require perhaps £10 million per UDC per year in the initial stages, although there should be receipts later as the land is transferred to the private sector. If the UDC is successful, the initial public sector investment will attract private sector investors, possibly on a much larger scale. Only the London Dockland Development Corporation has so far been successful in attracting private sector investment on a substantial scale, and this has the special advantage of proximity to the City of London. The Merseyside Corporation has not generated any comparable momentum. The Chief Secretary argues that the objectives of the UDC initiative are too ill-defined and the prospects for its success too uncertain at present to justify committing resources on this scale. He asks for a detailed assessment of the desired end result, evidence that a significant and quantifiable improvement in the current position is achievable, and criteria for evaluating success. The Environment Secretary's intention is to commission from consultants studies to estimate the cost of implementing UDCs. He will no doubt argue that it is impossible to provide the sort of cast iron case sought by the Treasury without these studies, which in turn requires an initial announcement. It will therefore be important to establish the extent to which an announcement now will commit the Government to any particular scale of development. It will certainly create a strong presumption that some UDCs in the area identified will go ahead.

Hartlepool

Robin
has Tim
Renger

Financial Implications

8. DOE do not have provision to cover the cost of new UDCs; the Chief Secretary argues that there should be no addition to public expenditure and that resources should be found from within existing programmes. This will need to be considered in the public expenditure round. There may therefore be a case for delaying any announcement until the public expenditure issues have been resolved. It would hardly be consistent with yesterday's Cabinet decision on public expenditure to announce so soon new proposals that will clearly require extra funds.

Cardiff

9. The Welsh Secretary in his letter of 16 July registers the possibility of establishing a UDC in south Cardiff to undertake a £100 million development, partly funded by the public sector. Discussions are in hand with the various interested parties (including the local authorities), and it is not yet clear whether UDC powers will be necessary or appropriate. A major element of the development will be a £50 million barrage across the Taff estuary, which, the Welsh Secretary asserts, would have the effect of raising property values. It would be premature to reach a firm decision on whether a UDC is necessary until the outcome of discussions with the interested parties is clear, and in particular until all the financial aspects have been evaluated. The Committee might therefore at this state simply encourage the Welsh Secretary to continue with talks without commitment (keeping the Treasury informed) and to report back in the autumn.

Section 134 (2) of the Local Government Planning and Land Act 1980

10. This section restricts the power to designate UDCs in England to Metropolitan districts. One of the potential sites identified by the Environment Secretary - Teeside/County Durham - is in a non metropolitan district, and if it is to proceed the section will have to be repealed. The Housing and Planning Bill currently before Parliament provides an possible vehicle, and the Environment Secretary would like to introduce the necessary amendment.

11. If the Committee approve the possible designation of further UDCs, there can be no objection to this. If, however, a decison is postponed the Environment Secretary will be in difficulty: tabling the amendment will clearly invite questions as to what the Government have in mind. But if the chance is not taken, Teeside and County Durham could not be in the first tranche of new designations (although preparatory work, could, of course, proceed). If the Environment Secretary presses, and the Committee are generally favourable to this preparatory step, you may wish to invite him to agree with the Chief Secretary a presentation of the amendment that would minimise the extent of future commitment.

HANDLING

12. You will wish to invite the Environment Secretary to introduce his paper, and the Chief Secretary, Treasury to respond. The Paymaster General will have views on the relationship with his inner city initiatives, and the Minister of State, Privy Council Office will speak on policy on Quangoes. The Trade and Industry Secretary will also have views. The Welsh Secretary will also wish to introduce his proposal.

J B UNWIN

Cabinet Office
18 July 1986

For E(A) meeting folder (Monday meeting).

cc BS
cc Bur

MINISTER OF STATE, PRIVY COUNCIL OFFICE

PRIME MINISTER

18 July 1986

URBAN DEVELOPMENT CORPORATIONS: NDPB POLICY

in back-up.

I wrote to Nicholas Ridley on 9 July expressing concern about squaring his proposal to set up a number of new UDCs with our declared policy on non-departmental public bodies (NDPBs or quangos).

2. Since then I have seen the papers submitted to E(A) by the Secretary of State for the Environment and by the Chief Secretary and have been invited to attend E(A) on Monday. Because I have no locus in the general issue of urban regeneration I shall not attend E(A), but I think it is important for us to consider explicitly what importance we attach to our declared policy on NDPBs in cases like this.

3. In the past you have told the House of Commons that "there are always pressures for the creation of new bodies. We shall be robust in resisting them. But we shall approve proposals for new bodies if we can be convinced that the function is essential and that a non-departmental public body is the most appropriate way of doing the job ...." (3 December 1980 and, in very similar terms, 19 November 1984). Our policy has therefore been to ensure that a new NDPB is only set up if it is demonstrably the most cost-effective option.

4. Over the last year I have seen evidence of this policy being increasingly neglected. Colleagues are all familiar with my letters reminding them of quango policy and the need to consider explicitly the cost-effectiveness of any proposed new body. Nicholas's paper for E(A) suggests announcing the decision, in principle, to set up eight new UDCs and then to analyse the costs. This would, of course, cut right across declared NDPB policy.

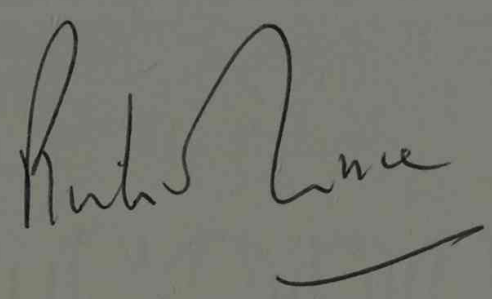
5. I am sure that you will want to consider carefully the costs and likely effectiveness of the proposed UDCs. This tends to support the Chief Secretary's arguments that the effectiveness of both the existing UDCs should be carefully appraised and that the success of other urban policies should be evaluated before committing ourselves to setting up further UDCs.

6. A similar issue arose on NDPBs likely to be created by water privatisation. I wrote to Nicholas Ridley on this matter on 15 July inviting his views and those of colleagues on whether "privatisation quangos" should be considered differently from other quangos. But we need to take stock of our overall position on quangos. Since 1979 we have been able to report a net reduction in quango numbers each year. Figures for 1986 are not yet available but I am not confident that this downward trend has continued over the last year. Any increase in quango numbers

could attract considerable criticism - particularly on the grounds that it represented a backstairs growth of the public sector and evidence of increasing Government intervention.

7. Repetition of the point becomes tiresome, but I am sure you would agree that if we are to relax our resistance to setting up new NDPBs, this decision needs to be taken with our eyes open. We will also need to develop an agreed view on how any increase in NDPB numbers will be justified.

8. I am copying this to members of E(A)



RICHARD LUCE

cc B/yp

P 02186 CONFIDENTIAL

PRIME MINISTER

E(A) Meeting on 21 July 1986

Urban Policy

I attach separate briefs for the two items on the agenda. You will, however, want to use the meeting to take stock of the Government's overall stance on Urban policy during the coming months.

2. As you made clear at the time, the events of last autumn showed that the operational capacity of the police to deal with riot situations needed some sharpening up. The Home Secretary has seen that programme through, including the increases in police manpower that were approved at the meeting you held on 12 May. In his minute of 23 October and again in his recent minute, however, the Home Secretary is concerned that the pool of disaffected, mostly black, young people in the cities should not be allowed to increase, and that visible action should be taken to better the "life chances", of this very difficult group. The main result of the Home Secretary's earlier intervention was the initiative in eight areas under the Paymaster General, who is now reporting on his initial impressions.

3. Taken together, the two items on the agenda cover all the main variants of new machinery to attack the inner cities' problems that have been identified over the last few years. City Action Teams - which were set up following the Urban Policy Review of 1984 - are mainly directed at better harmonisation of mainstream Central Government functions in the regions. The eight areas initiative is based on the premise that the areas of greatest deprivation - which also present the greatest threat to public order - are quite small pockets, with highly localised problems, and that radically new delivery systems are needed on the ground to get through to them.

(The task forces are not intended to represent a policy themselves: they are pilot studies for the formulation of new policy.) Urban Development Corporations were devised to address planning and development problems in a single-minded manner in particular derelict areas and Mr Ridley is now proposing to exploit that vehicle across a very much broader front.

4. Running through all these devices - and the Urban Programme, Enterprise Zones and Partnership Areas - is the local authority question. Should the objective be to work in co-operation with them, or to displace their functions against their wishes? It may well be that it is neither possible nor desirable to be totally consistent about this, but it is important to ensure that the Government can present the variety of approaches chosen within a coherent global policy. Surely they could also be seen to some extent as experiments.

5. As the Home Secretary says, nobody can write off the possibility of more riots this summer. In the nature of things, improvements in police hardware and riot control methods can be delivered on a much shorter timescale than changes can be effected in the underlying social and structural urban scene. You will, however, doubtless wish to use the meeting to ensure that the presentation of the Government's policies is solid and confident.

J B UNWIN

18 July 1986
Cabinet Office

SECRETARY OF STATE FOR SCOTLAND

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

BF || B/F tomorrow with the other pps for E(A)

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

17 July 1986

Dear Nick

ATTACHED

You circulated to E(A) proposals for the creation of further Urban Development Corporations (UDCs) in England.

I wholly endorse what you say in your memorandum about the need to tackle urban decay and dereliction in an integrated manner; and to concentrate resources geographically in such a way as to provide a focus for private sector-led development in major urban areas outside south east England. I agree with you that we need to view this as a priority objective and it is of course equally applicable to Scotland.

As I am sure you are aware, the merits of the integrated approach which you propose are supported by experience here in Scotland with a series of area initiatives in which the Scottish Development Agency has been a key catalyst. There are differences of course between the Scottish experience and the UDC approach: notably, we have not vested surplus land in the SDA nor given it the same kind of planning regime as is available to UDCs. The Scottish approach has thus been to operate under the normal local authority planning regime and through voluntary agreements amongst the Agency, local authorities, other public bodies and the private sector. Were the Agency's powers to prove less than effective in future as a focus for tackling large scale urban regeneration, then I would not want to rule out entirely the option of creating one or more UDCs in future but I see no immediate need for this.

As you may know, we have currently under way an NDPB review of the SDA and I would not want at this juncture to make any statement about possible UDCs in Scotland which would all too readily be seized on by our opponents as implying some reduction in our commitment to the SDA as a major instrument of urban regeneration in Scotland. Indeed, if colleagues approve your proposals, I shall need to give careful consideration to the presentation in Scotland. This would be the third and most substantial of a recent series of urban policy initiatives for England which had no direct counterpart in Scotland. I shall want to present this positively by stating that the changes in England amount to a considerable vote of confidence in the approach which we are already adopting to urban regeneration in Scotland; to affirm a high priority which we give to the objective of economic and environmental

regeneration; and to repeat our commitment to a strong Scottish Development Agency with substantial resources as a major vehicle for economic and environmental regeneration in Scotland's urban areas.

I confirm that I have no objection to your proposed minor amendments to the 1980 Act.

Copies to other members of E(A) and to Sir Robert Armstrong.

Yours ever,

MALCOLM RIFKIND

010

CC BS

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon Richard Luce MP
Office of Arts and Libraries
Room 62/2
Great George Street
LONDON
SW1

17 July 1986

NBPM

Dear Minister,

FICG ON B/UP

Thank you for your letter of 9 July asking for a sight of previous papers on the proposal that a number of new Urban Development Corporations should be set up.

You will be glad to know that the bibliography is fairly short. Such discussions as there have been have related to drafts of the paper which is now before E(A), namely

(i) E(A)(86)36: further Urban Development Corporations/ Memorandum by the Secretary of State for the Environment.

There is also:-

(ii) E(A)(86)38: further Urban Development Corporations/ Memorandum by the Chief Secretary, Treasury.

I understand that the Welsh Office will also be circulating an E(A) paper proposing a UDC in Cardiff.

My proposal was trailed briefly in discussion at E(A)(86)15th on 8 May and E(A)(86)18th on 2 July.

I will certainly bear in mind your interest in all NDPB matters, and the points which you make in your letter.

I am copying this letter, as yours, to E(A) colleagues.

Yours sincerely

B H Leonard Private Secretary

pp NICHOLAS RIDLEY

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

010

cc BG

BF // For E(A) meeting to-day tomorrow. (monday)

PRIME MINISTER

In advance of our discussion in EA Committee next Monday of Nick Ridley's proposals for further Urban Development Corporations in England it may be helpful for me to inform colleagues of a possible opportunity for very substantial private sector development in a largely derelict maritime environment in South Cardiff whose progress could substantially be expedited by the use of UDC powers.

With Urban Development Grant support a promising start has already been made on the redevelopment of the area by Tarmac. The key to exploiting its enormous potential however lies in the construction of a barrage across the harbour mouth. This would create a very large area of fresh water in place of the present mud flats and stimulate housing, commercial and leisure developments on a scale likely to be paralleled in few other parts of the country. Initial consultancy reports, including an assessment by Jones Lang Wootton, have brought a most positive response from developers and financial institutions. Discussions with ABP (the principal land owner) and other developers and institutions encourage me to think that the greater part of the expenditure on the barrage and other essential infrastructure works (up to £100 million over a period of a few years) could be raised from the private sector. This however would be conditional upon such investors having confidence in the capacity of the authorities concerned to plan and carry through the project. The local authorities are committed to the redevelopment of South Cardiff but neither I, nor the developers to whom I have talked, are yet persuaded that they could carry through this major and exciting scheme. It is against that background that I have been considering the possibility of establishing a small-scale UDC operating with the agreement of and in conjunction with the local authorities, the Land Authority for Wales and the Welsh Development Agency (neither of these last two statutory bodies, individually or jointly, has the powers to do all that would be needed, especially in the planning field).

The discussions I have had with the various bodies make me think that we are very close to obtaining both substantial private sector backing and broad political support for what would be a unique and exciting project that would create a new and first class maritime quarter in this country. The economic and social prizes would be very great and the political credit for the Government substantial. I may want to seek my colleagues' agreement to the establishment of a modest and time-limited UDC if my further discussions with potential investors and others over the coming weeks lead me to conclude that that would be an essential catalyst.

/ I am copying this to members of EA and to Sir Robert Armstrong.

16 July 1986

RNE

009/2768

CCBG

CONFIDENTIAL

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon John Moore MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1

NBPM

16 July 1986

Dear John,

DOCKLANDS LIGHT RAILWAY AND CANARY WHARF

I have seen your two letters of 2 and 12 July, together with Nicholas Ridley's letter of 9 July.

Like you, I agree with his proposal that you and he should see Mr Travelstead. I do not dissent from the objectives you propose for the meeting and agree that it would be sensible for officials to prepare an agreed brief. I should like my officials to be involved in that work.

I am copying this letter to the Prime Minister, John Biffen, Norman Tebbit, David Young, Nicholas Ridley, John Wakeham and to Sir Robert Armstrong.

Yours ever,

JM

JOHN MacGREGOR

CONFIDENTIAL

REGIONAL POL
INNER
CITIES
ETC

020/2767

CONFIDENTIAL

cc f/G

FROM: CHIEF SECRETARY
DATE: 14 July 1986

NBPM.

PRIME MINISTER

URBAN DEVELOPMENT CORPORATIONS

WITH ON?

I have seen Nicholas Ridley's minute to you of 9 July in which he seeks policy approval to legislate to remove the bar on designating Urban Development Corporations (UDCs) in non-metropolitan counties in England.

2 I will not take up the argument whether the bar on non-metropolitan UDCs is a sensible one. That is not the main issue. The question now is whether we can afford to set up further UDCs at all, and whether they would represent a cost-effective addition to urban policy. Nicholas Ridley has circulated a paper to E(A) arguing his case for an extension of UDCs.

3 I will be setting out my detailed objections to his proposals in a separate E(A) paper to be circulated shortly. I do not think it would be right to pre-empt that discussion by taking a decision now to amend the Housing and Planning Bill.

4 I am sending copies of this minute to other members of E(A), members of H, and Sir Robert Armstrong.

JM

JOHN MacGREGOR

CONFIDENTIAL

CCBG

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

JM/PSO/9197/86

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

12 July 1986

NBPM

Dear Nicholas.

DOCKLANDS LIGHT RAILWAY AND CANARY WHARF

Thank you for your letter of ~~9~~ 11 July.

I agree with you that we might now jointly invite Mr Travelstead to talk through the outstanding points of difficulty. I would have no objection to Christopher Benson joining us if you judge that would be helpful.

At such a meeting I suggest our prime objectives will be:

a. to convey the Government's clear intentions as to the way in which the land at Canary Wharf should be made over to the Consortium;

b. to indicate the guarantees that the Government will require as to the timing of the development, for the purposes both of the Master Building Agreement and the railway funding agreements;

c. to resolve the remaining points of principle on the railway funding agreements, and in particular those which are currently delaying the conclusion of the agreement on the funding of the upgrading costs of the Initial Railway.

We shall of course have to be quite clear at this meeting what our absolute requirements are on the various major points of principle, where some negotiation may

be possible, and the cost of any concessions. No doubt our respective officials can prepare an agreed brief for our meeting with Mr Travelstead in time for us to have a word if necessary before the meeting takes place. In the meantime perhaps our private offices can get on with the arrangements for the meeting itself, at which you may care to act as host.

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

JOHN MOORE

VC2AMB.

c Ld Denham.
CWO LPO
Trpr DTI
DHSS CSL
MO DTM
DES MAFF
HO CS, HMT
LCO PGO
LPSO
WO
SO
DTN
~~MO~~
HMT.
BG

19/7

10 DOWNING STREET

From the Private Secretary

11 July 1986

~~SIB~~ 14/7/86

URBAN DEVELOPMENT CORPORATIONS

The Prime Minister has seen the Secretary of State for the Environment's minute of 9 July which sought policy approval for the repeal of Section 134(2) of the Local Government Planning and Land Act 1980.

The Prime Minister appreciates Mr. Ridley's concern that this should be carried forward quickly and is sympathetic towards the idea of an Urban Development Corporation for Teesside or County Durham. However, she understands that E(A) is to discuss on 21 July Mr. Ridley's general proposals for new urban development corporations. She further understands that a discussion then of the specific proposal for repeal of the Section mentioned above would still allow the amendment to be trailed during the Lords' second reading of the Housing and Planning Bill on 30 July. She has therefore asked that this proposal be placed on the agenda for E(A) on 21 July.

I am copying this letter to the Private Secretaries to the members of E(A), the members of H and to Michael Stark (Cabinet Office).

DAVID NORGROVE

R.U. Young, Esq.,
Department of the Environment.

MC

cc BG

NBPM

PRIME MINISTER

I have seen Nicholas Ridley's letter of 9 July to you seeking approval to amend legislation so that Urban Development Corporations (UDCs) could be set up in non-Metropolitan County areas. This would enable us to set up a UDC in Teesside where the problems are acute. We already have an Inner Cities Initiative task force operating in North Central Middlesbrough, but an initiative on a larger scale is badly needed.

It would be desirable to have the wider scope which Nicholas Ridley proposes in considering which areas might benefit from UDC status. I support his proposal.

I am sending copies of this minute to the other members of E(A), to the members of H, and to Sir Robert Armstrong.

L.

KC

10 July 1986

REGIONAL POLICY

INNER CITIES

PT 8

010

CEBG

CONFIDENTIAL

P 02164

From: J B UNWIN
10 July 1986

MR NORGROVE - No 10

cc Mr Stark
Miss Mac Naughton

URBAN DEVELOPMENT CORPORATIONS

Mr Ridley's ~~The Environment Secretary~~'s minute to ~~the Prime Minister of yesterday~~ seeks policy approval now from EA for the repeal of Section 134(2) of the Local Government Planning and Land Act 1980

2. The purpose of the amendment is to remove the present metropolitan/inner London restriction on the designation of areas as urban development areas. The point of the timing is to be able to trail the amendment (which has already been drafted) in the Lords Second Reading of the Housing and Planning Bill on 30 July.

3. I see no need to settle this now. E(A) are scheduled to discuss Mr Ridley's new proposal for setting up a number of UDCs ~~(E(A)86)36~~) on 21 ~~or 22 July. (we have brought this forward from the earlier planned date of 28 July).~~ His proposals will be contested in a separate paper by the Chief Secretary, and I understand the Welsh Secretary also proposed to circulate a paper. It would ~~therefore~~ be wrong to anticipate the outcome of that meeting by giving ~~the~~ policy approval ~~requested by the Transport Secretary~~ to Mr Ridley now. now. (The Lord President ~~also wants~~ would like this to be squashed.

~~4. If the Prime Minister agrees, I suggest you respond briefly on the above basis.~~

Agree that I should write along the lines of the above?

J B UNWIN

Cabinet Office

PRIME MINISTER

URBAN DEVELOPMENT CORPORATIONS

Mr. Ridley's minute to you below seeks policy approval now from E(A) for the repeal of Section 134(2) of the Local Government Planning and Land Act 1980.

The purpose of the amendment is to remove the present metropolitan/inner London restriction on the designation of areas as urban development areas. The point of the timing is to be able to trail the amendment (which has already been drafted) in the Lords Second Reading of the Housing and Planning Bill on 30 July.

The Lord President would like this to be squashed. E(A) are scheduled to discuss Mr. Ridley's new proposal for setting up a number of UDCs on 21 July. His proposals will be contested in a separate paper by the Chief Secretary, and I understand the Welsh Secretary also proposed to circulate a paper. It would be wrong to anticipate the outcome of that meeting by giving the policy approval to Mr. Ridley now.

Agree that I should write along the lines of the above?

Yes mt

David Norgrove

10 July 1986

DG2BFK

cc BG

OFFICE OF ARTS AND LIBRARIES
Great George Street
London SW1P 3AL
Telephone 01-233 8610

From the Minister for the Arts

Rt Hon Nicholas Ridley MP
Secretary of State for the Environment
2 Marsham Street
LONDON SW1P 3EB

9 July 1986

NBPM

Dear Nicholas,

URBAN DEVELOPMENT CORPORATIONS

I have learned with interest of your suggestion that a number of new urban development corporations (UDCs) should be set up.

The existing UDCs (the London Docklands Development Corporation and the Merseyside Development Corporation) are non-departmental public bodies and, if set up in the same way, any further UDCs would also be NDPBs. I am therefore concerned to assure that, in considering this proposal, our policy on NDPBs is fully taken into account. Essentially this means clearly defining the objectives to be achieved and then assessing the cost-effectiveness of different ways of achieving these objectives. Setting up a new NDPB should only be considered if this is the most cost-effective option.

I should be grateful if you could send me, urgently, copies of any previous papers on this.

Copies of this go to members of E(A).

Yours

Richard

RICHARD LUCE

REGIONAL POLICY: Inner cities: Pt 8

AD:

copy

SECRETARY OF STATE FOR THE ENVIRONMENT

PRIME MINISTER

When E(A) discussed shipbuilding on 3 July the possibility of setting up an Urban Development Corporation (UDC) on Teesside was one of the ideas that we considered.

I am today putting proposals for new UDCs, including one on Teesside or in County Durham, to E(A). But Teesside and Durham, unlike the existing UDC areas in London Docklands and Merseyside, lie in non-metropolitan county areas and the legislation does not permit the setting up of a UDC in such an area.

By subsection 134(2) of the Local Government Planning and Land Act 1980, an area of land in England may only be designated as an urban development area if it is in a metropolitan district or in an inner London borough or partly in an inner London borough and partly in an outer London borough which adjoins the inner London borough. This subsection was added to the 1980 Act because of concern expressed by our supporters that the Act might otherwise be used by a future administration to establish UDCs in inappropriate places (for instance the City of London). The precise form of the subsection reflected the envisaged boundaries of the London Docklands and Merseyside UDC areas.

The existing UDCs have been successful and I believe that UDCs are now seen, not least by our supporters, as an effective means of stimulating private sector investment and activity. I see no reason for perpetuating the metropolitan/inner London restriction in England. Such a restriction to conurbations was never thought necessary in Scotland or in Wales.

The Housing and Planning Bill, which has been passed by the Commons and is due for Lords Second Reading on 30 July, provides the only immediate legislative opportunity to amend the 1980 Act. The necessary amendment has already been drafted.

Since it would be appropriate to trail any proposed amendment to the Bill on Second Reading, I am now seeking policy approval from E(A) for the repeal of s.134(2) of the Local Government Planning and Land Act 1980.

I am sending copies of this minute to the other members of E(A), to the members of H, and to Sir Robert Armstrong.

B H Leonard Private Secretary

pp.

N R

9 July 1986

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

cc BS

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon John Moore MP
Department of Transport
2 Marsham Street
LONDON
SW1P 3EB

NBPM

9 July 1986

Dear Secretary of State,

Thank you for your letter of 2 July. I quite see that there is the prospect of confrontation with the Consortium, and I am sure that we need to handle these stages with great care. This is a very important project and we must do all we can to secure it - provided this can be done with proper protection for essential public interests.

You suggest that matters might be brought to a head on my side by seeking to expose the Consortium's intention in the context of negotiations over the Canary Wharf Master Building Agreement. You also propose that your officials should have one more round of discussions with Mr Travelstead. As to the freehold of Canary Wharf, which you mention, I am sure that we could not, even if the railway considerations were not involved, agree to the LDDC disposing of it without effective and enforceable guarantees of a significant quantity of development taking place. To do so would put the LDDC in the position of having passed the freehold to the consortium without the means of ensuring development of the Wharf. The arrangements which had previously been under discussions between LDDC and the Consortium envisaged a lease, with the freehold passing stage by stage only as development was completed. With the freehold passing from the beginning and without enforceable guarantees, there would be the opportunity for the Consortium to re-sell the land at a higher price.

George Young has discused the issue with Christopher Benson, Chairman of the LDDC, and I understand that Mr Benson also takes the view that the freehold should not pass without adequate guarantees of development. It is not, however, certain that the Consortium are fully aware of our position; but it is clearly important that they should know how we stand.

If we really are in danger of a real breakdown, I believe that the best way to settle the matter would be for us jointly to invite Mr Travelstead to talk about the issues, both those relating to the railway and to the land disposal. Proposing such a meeting would keep the initiative in our hands, both on the substance and on the important presentational aspects.

I have in mind writing to Mr Travelstead, once our meeting, if you agree, is arranged, letting him know that, as well as the points on your side, we have in mind talking about the freehold aspects as well. I should also like to consider further whether it would be advantageous to invite Mr Benson to join us when we see Mr Travelstead. It is clearly important to demonstrate that we are all of one mind.

There will no doubt be some significant secondary issues to consider, including the future of the Bill for the City extension of the railway.

I am copying this letter to the Prime Minister, the Lord Privy Seal, the Chancellor of the Duchy, the Secretary of State for Employment, the Chief Secretary, the Chief Whip and Sir Robert Armstrong.

Yours sincerely

B H Conard Private Secretary

pp.

NICHOLAS RIDLEY

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

REGIONAL POLICY
INNER CITIES
PT 8

Prime Minister 2

No need for you to intervene I suggest.

DRN 9/7

PRIME MINISTER

9 July 1986

DOCKLANDS LIGHT RAILWAY AND CANARY WHARF

It is perhaps not surprising that the Canary Wharf Consortium is getting cold feet over the development of Canary Wharf.

Seeing the prospect of competition from this development, the City authorities have relaxed their planning restrictions to allow the office capacity of the City itself to expand. Meanwhile, on the Western edge of the City, the Fleet Street area offers interesting development potential now that the newspapers have started to move out. Taking advantage of modern office technology, some of the teams formed in readiness for the Big Bang have moved as far away as Victoria. In any case, there is growing recognition that not all the financial services teams formed prior to the Big Bang will survive the fierce competition thereafter; the bulge in office requirements may be now rather than later.

Much as the Government prides itself on the development of Docklands and is understandably keen to promote Canary Wharf, it would be wrong to get drawn into further financial support for the transport infrastructure if the development itself no longer looks commercially sound.

Recommendation

We support John Moore's proposal to give the Consortium one more chance to undertake to contribute to the upgrading and extension of the Docklands Light Railway. If not, the Government should not even consider further concessions until the Consortium has clearly demonstrated its intention to proceed with the development of Canary Wharf.

JOHN WYBREW

004/1282

CONFIDENTIAL

cc BG

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Paul Channon MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1 - 19 Victoria Street
London
SW1E 6RB

7 July 1986

Dear Paul,

REGIONAL ASSISTANCE

I have seen Malcolm Rifkind's letter to you of 27 May and your reply of 6 June. I have also seen Nicholas Edwards' letters of 9 and 19 June.

As suggested in your letter of 6 June, officials of our Departments have met to discuss forecasting methodologies and to clarify the figures. On the forecasting techniques, I understand that our officials have agreed on the need to remove inconsistencies in some of the key, underlying assumptions. Important differences, however, remain over the adjustments to the models required to predict territorial spend under the new regional assistance map accurately. This is something which is only likely to be settled by experience in running the models.

Nonetheless, I must underline my great concern at the figures emerging as a result of the meeting. They present a serious threat to our ability to control expenditure on regional assistance. Against the current expenditure background for both this year and the Survey period, I must stress that I can offer no prospect of increasing the provision for regional assistance for 1986-87 or beyond unless deliverable off-setting savings are offered up on the cash limited provisions of the Departments concerned.

The possible scale of projected overspends underlines the need for effective monitoring and control mechanisms for these programmes. Apart from the possibility of raising thresholds of eligibility for assistance or extending moratoria, I think there are three areas which need addressing. First,

CONFIDENTIAL

we need to be sure that RSA cases are scrutinised with equal rigour and consistency in the three countries. I attach importance to this being investigated thoroughly and the results reported to Ministers. This suggests that it should be part of the review of the administration of regional policy, which the three Departments will be conducting in the next few weeks. I would wish my officials to be fully involved in the work.

Second, I would also wish to improve control and monitoring mechanisms; this means pursuing commitment limiting for RSA, on which our officials did some work last year, and developing commitment monitoring for RDG.

Third, it appears that effective control under the new territorial administration of regional assistance will remain elusive while the notion of a common pool persists. We must either have one Department responsible for the overall provision in all three countries, or, subject to a review of the distribution of the current provision (see below), totally separate funds for the three Departments.

In his letter to you Malcolm presses for a review of the division of the existing provision as a basis for seeking agreement for redistribution between the three Departments. I understand that you and Nicholas accept that there should be a review, though differences remain between the three Departments on the appropriate timing. As I said in my letter to you of 27 March, I have been prepared to contemplate inter-departmental transfers, subject to a firm undertaking that the Department transferring out regional assistance provision would be able to offset any overspending in other areas by savings elsewhere in its programme. I would be prepared to agree to a review, provided the outcome was accepted as binding by all three Departments; there was no increase in the overall provision; and there was no question of further redistribution thereafter. It would be for you to agree on the timing of the review between yourselves. From my point of view, I would see merit in this taking place soon as to remove uncertainty. Any resulting transfer would ideally need to be effected in the context of the appropriate Survey to avoid compromising in-year control totals. Until, however, a review takes place and any changes are agreed, my position on redistribution remains as set out in my letter of 27 March.

Finally, I note what you and Nick Edwards have to say about postponing the moratorium on RDG2 payments. I do not see how we can set aside a decision agreed only last October in the Survey discussions, particularly in the light of the very difficult expenditure prospects. Whatever the political considerations, I could only begin to contemplate a postponement if I was satisfied that the costs (for all three Departments) could be absorbed within the existing baselines for each of the three departments.

I am sending copies of this letter to Malcolm Rifkind and Nicholas Edwards.

Yours ever, JM

JOHN MacGREGOR

Brian Leonard.

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

B/F Monday.

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

2 July 1986

Dear Nicholas,

DOCKLANDS LIGHT RAILWAY AND CANARY WHARF

You ought to know that negotiations with the Canary Wharf Consortium over the financing of the Bank Extension to the Docklands Light Railway are running into difficulties. The signs are that the Consortium are faced with growing uncertainty over the prospects of finding tenants for their development, and in consequence are seeking to amend the deal we reached with them in March in a way which would expose us to unacceptable financial risks over the railway. We thus face the prospect of a damaging confrontation with the Consortium.

There are three principal areas of difficulty. The first relates to the costs of upgrading the Initial Railway. This needs to be embarked upon shortly, otherwise the planned opening of the Railway in July 1987 (and the benefit of our investment of £77m in it) will be delayed, and costs will rise. The Consortium have agreed to finance the upgrading costs as they are incurred, but they now say they want full reimbursement if the Bill is not enacted by 1 January 1987 when, they say, they will have to abandon the whole project for commercial reasons. In the absence of the required guarantee from the Consortium, I cannot authorise LRT to proceed with the upgrading works. Any significant delay now will greatly add to the total costs of the extension and would necessitate a renegotiation of the whole funding deal if the Bank Extension is to go ahead.

Secondly, the Consortium are seeking to reduce their cash contribution to the project. The agreement was that they should provide £45m in net present value terms, but they now want to use a later reference date than that

used in the financial appraisal on which their contributions were based.

Thirdly, the Consortium are seeking enforceable obligations from LRT that they will build the railway to an agreed timetable, but they are not willing to give reciprocal enforceable guarantees in respect of their development. I understand that the Consortium are seeking, on your side, an agreement with LDDC to secure the freehold of Canary Wharf without any commitment to develop. This is all too consistent with the line they are taking over the railway negotiations and places an unacceptable risk on the operating finances of the railway.

Recent negotiations between LRT and the Consortium (with my officials present) have taken place without Mr Travelstead and it is still possible that the Consortium may back away from their new requirements at the next stage of negotiations with Mr Travelstead himself. However, there is very little room for manoeuvre on our part and we must I think face the possibility of a real breakdown, with potentially damaging allegations of obstruction on the Government's side from the Consortium.

If the Consortium remain inflexible I believe it would be best to call off any attempt to reach agreement on upgrading the Initial Railway now and to propose a renegotiation of the main financing deal when the Consortium are more confident about their own timetable.

These considerations lead me to suggest that matters might better be brought to a head on your side by seeking to expose the Consortium's real intentions in the context of negotiations over the Canary Wharf Master Building Agreement. I should be grateful for your guidance on that. In the meantime I propose to authorise my officials to engage in one more round of discussions with Mr Travelstead, as the Consoritum's principal negotiator, to see if they are prepared to honour the earlier understanding we reached with them.

I am copying this letter to the Prime Minister, the Lord Privy Seal, the Chancellor of the Duchy, the Secretary of State for Employment, the Chief Secretary, the Chief Whip, and Sir George Young, and to Sir Robert Armstrong.

JOHN MOORE

Regional Policy: PTS

Henry Boot. Do you know the 100,000 acres should be 5,700. Perhaps you will be telling Charles not to Prince

MBR 16/6

SPORTING DIARY

Simon Barnes

Village Hammonds

The tactic of depriving English sporting leaders of their best player and then putting them on trial for their jobs has been having mixed results this week. Bobby Robson, out in Mexico, is not complaining, but David Gower might consider doing so, were he the complaining type.

Meanwhile his best player, Ian Botham, is preparing for a match against Dennis "there's nothing like a cold tinny after beating the Poms" Lillee. The great fast bowler will play for an international eleven, captained by Rodney Marsh – the man who holds the all-Australian record for the number of tinnies drunk between Sydney and London. They will play against the Gloucestershire village side of Frocester, near Stroud, on July 23.

However, Frocester's record of bringing in ringers makes that of my own team, the mighty Tewin Irregulars, pale into insignificance: their team will contain not only Botham, but Norman Gifford, Bill Athey, Alvin Kallicharran, John Shepherd and Basil D'Oliveira.

Knock, knock

Gower, like Marsh, also has record-setting potential – not in the sphere of tinnies but in the speed of light at which he does the

A four-point plan for the cities

by HRH the Prince of Wales

The crucial issue today is how to give people more pride in their environment, involvement in their housing and more control over their lives, all this leading to increased confidence and hope, a development of new organizational skills and a consequent flourishing of new enterprise. We are talking about the regeneration of thousands of local communities, and this is the really essential point about the whole thing. How can we achieve such an aim while ensuring that it isn't just pie in the sky?

Reviving urban areas means creating self-sustaining communities. That requires carefully integrated action on a number of fronts. In particular four important changes are required:

First, those involved in assisting community initiatives really must try and stop feuding and recognize that a multiple approach is called for.

Second, sufficient resources must be made available to help people turn their ideas into viable schemes. This requires managerial and financial as well as building skills and there is now undoubtedly a lot of experience to call on which may perhaps justify training courses for social entrepreneurs and increased support for technical aid centres.

Third, we need to find ways if we can of channelling private resources into the rundown areas without displacing the existing community. There is a need as well to release the large amount of under utilised derelict or surplus land for regenerative projects. A lot of people don't realize – I certainly didn't – just how much under utilised surplus land there is in the London area for instance. Something in the region of 100,000 acres of land is registered with the Department of the Environment as surplus to requirements in the 32 London boroughs. If released, that could, I would have thought, help to start all sorts of new schemes, both commercial and housing.

Finally, public agencies should turn from being either negative or doing everything themselves to act as enablers and facilitators. So initiatives, to be successful, will invariably be a partnership between the many interests involved: professionals or experts who help to work up a feasible proposal, the local authority that provides pump-priming finance and encouragement, the landowner who makes the property available on favourable terms, perhaps on a licence initially, and sources of finance including banks, building societies and, in a few cases, insurance companies.

The fundamental point to stress is the urgent need for partnership between the public and private sector, between local politicians, community groups and non-public sources of finance. To restore hope we must have a vision and a source of inspiration. We must sink our differences and cut great swathes through the cat's cradle of red tape which chokes this country from end to end.

Prince Charles is the patron of the Times/*RIBA Community Enterprise Scheme. He was speaking at its awards ceremony in London yesterday.*

Andrew Gimson samples white opinion in South Africa on the brink

Flat earth to flashpoint

In 1897-98, during his single-handed circumnavigation of the globe, Captain Joshua Slocum visited South Africa and travelled by train to Pretoria, where he met President Kruger. "His Excellency received me cordially enough; but my friend Judge Beyers . . . by mentioning that I was on a voyage around the world

The most vivid conversation I heard about votes for blacks was between an English girl, visiting South Africa for the first time, as I was, and a woman of German origin who had lived most of her adult life there. "Why should they have the vote?" the German lady demanded. "What have they done to earn the vote? They have

File

089

MR. WYBREW

Thank you for your minute of 18 April about the Docklands Light Railway and Canary Wharf. This is just to record that the Prime Minister has seen your minute but is very doubtful about the idea of an arrangement for the Government to share in any super profits from Canary Wharf. She believes that a Government proposal to share or tax the profits could well cause undesirable delays and uncertainty. She does not therefore propose to intervene.

Timothy Flesher

23 April 1986

PRIME MINISTER

CANARY WHARF

I am very doubtful about the idea of an arrangement for the Government to share in any super profits from Canary Wharf.

There may be large profits, and it is in many ways undesirable that Canary Wharf should have the benefits of an Enterprise Zone.

But there are also risks to the development, for example the space becoming available around Fleet Street, and the way the City are now easing planning restrictions.

For the Government to propose to share or tax the profits could kill this, at worst, and cause delays and uncertainty at best.

I suggest you do not intervene.

DRN

Agreed

Agree we do not intervene

(DAVID NORGROVE)
21 April 1986

PRIME MINISTER 18 April 1986

DOCKLANDS LIGHT RAILWAY AND CANARY WHARF

For a good reason, the redevelopment of London's Docklands commands powerful Ministerial support. Exciting progress has already been made. Now there is the enticing prospect of Canary Wharf being developed by the private sector as a satellite of the City, linked by light railway to the Bank. The difficulty for the Government is how to be sure that the deal with Travelstead's Consortium is close to the best achievable.

We need not regret that a privatised Docklands Light Railway was not attainable. The cause of enterprise is probably better served by giving Docklands a good forward-looking transport infrastructure, integrated with that of the rest of London. Freed from the GLC, the management of LRT is doing a creditable job. LRT is the best candidate to construct and operate the Docklands Light Railway.

The Treasury officials involved in the Bank Extension negotiations believe that the deal concluded with the Consortium is satisfactory; LRT's net investment may not rigorously meet the normal investment criteria, but there are offsetting benefits.

That said, we should view the project as an integrated whole; the Consortium certainly will. Here there are dangers. Some forecasts indicate that the Consortium may be in a position to make super profits from the Canary Wharf development. In that event, critics will draw attention to public expenditure of the order of £300 million on the

transport infrastructure (albeit not solely for Canary Wharf) and ask why the Government was such a soft touch.

Conclusions

1. The terms of the Bank Extension deal are satisfactory and can be endorsed. For this key transport link, DTp/LRT should look carefully at the trade-off between modest additional expenditure and the greater scope for later expansion of capacity.

2. It would be worth asking Kenneth Baker for a report on the status of the Canary Wharf negotiations, stressing that, in view of the appreciable contribution of public expenditure to the project, the Government must be satisfied that provision has been made for the Exchequer to share in possible super profits.

3. The Treasury do not want to give LRT an assurance that their capital expenditure programmes on buses and the underground will not be reduced to help fund the Docklands Light Railway. It should be possible to devise a form of assurance which indicates that it is not the Government's intention to starve LRT's established operations of capital funds, although the overall position will have to be reviewed as circumstances unfold.

JOHN WYBREW

JW

REGIONAL POLICY, Inner City Policy

P-8

002/2984

010

CABG

CONFIDENTIAL

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Ridley AMICE MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB

NBPM.

21st April 1986

Dear Nicholas,

DOCKLANDS LIGHT RAILWAY AND CANARY WHARF

Thank you for your letter of 16 April. — with ON.

The outcome of the negotiations seems indeed to have been in line with the conclusions we reached when we and George Young met on 26 February. I would be content for agreement in principle to be given to the project.

At the meeting we deliberately set to one side the public expenditure implications of the proposal and the question of offsetting savings. These give rise to costs to LRT in each of the 3 years of the coming IFR round. In agreeing to this project I do not think that it would be right to give to LRT an assurance in the terms you mention in your letter. The fact that the DLR extension was not a proposal from LRT does not imply that we must agree now to the whole of LRT's own investment plans as well as to the DLR. We have not yet discussed, as we shall need to do in the IFR, LRT's planned investment programme, nor their revenue prospects as they are now seen. Whilst I do not wish to use agreement to the DLR extension as a tool for an arbitrary squeeze on LRT's investment plans, I do not feel able to agree in advance of the IFR to increase LRT's EFL by the full amount of the net costs of the DLR extension.

I am copying this letter to the Prime Minister, John Biffen, Norman Tebbit, David Young, Kenneth Baker, John Wakeham and Sir George Young and to Sir Robert Armstrong.

Yours ever,

JOHN MacGREGOR

CONFIDENTIAL

CONFIDENTIAL

CC/39 (101)

T F Goldman.

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

0

The Rt Hon John MacGregor OBE MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
London
SW1

16 APR 1986

Dear John

DOCKLANDS LIGHT RAILWAY AND CANARY WHARF

At our meeting on 26 February we agreed on a set of principles which should govern further negotiations with the Canary Wharf Consortium on the financing of the £92M Bank extension to the Docklands Light Railway as a public sector project. In particular we agreed that

i. the initial payment from the Consortium should not be renumerated and it should be set at the highest possible figure above £45M.

ii. beyond that the possibility of further financial support should be pursued.

Negotiations with the Consortium have been conducted on this basis by my officials, assisted by yours, DOE's, and by Rothschilds. They have now reported back with what they believe to be the best deal obtainable.

Proposed deal with the Consortium

The main features of the proposed deal - which of course is subject to our agreement - are as follows:

a. LRT will provide an extension to Bank ultimately capable of carrying the traffic likely to be generated by the full 10 million sq ft development planned for Canary Wharf. LRT will retain the option of phasing the scheme; the initial phase would be sufficient to service a development of 5 million sq ft but LRT would undertake additional upgrading on receipt of a commitment by the Consortium to complete the later phases of their development.

b. the Consortium will contribute in total £71M in cash, £45M of which would be paid over the next four years during the construction of the extension, with a further annuity of £1.3M a year for the following twenty years. This is equivalent to a total contribution in present value terms of £45M discounted at 5% real.

c. the Consortium will undertake to guarantee the costs (£4.5M) of upgrading the initial railway should they withdraw from the project, since this work will have to be carried out now whether or not the extension finally goes ahead.

a. and b. above are of course subject to the signing of the Master Building Agreement which itself will be conditional on the successful passage of the present railway Bill through Parliament. I understand from Kenneth Baker that negotiations on the Master Building Agreement are proceeding between the LDDC and the Consortium, with the target of reaching agreement on points of principle during May, and that your officials are discussing with DOE an economic appraisal of the Canary Wharf scheme itself.

The attached paper which has been discussed with your officials describes the basis on which LRT are appraising the project and analyses the financial risks involved. Taking into account the costs and benefits of the project, including some non-financial transport benefits, the project shows a real rate of return in excess of 5%. This analysis is based on a set of assumptions as described in the attached paper, in particular revenue forecasts are based on a central assumption of a level of occupancy of 5 million sq ft at Canary Wharf. All the indications are that the Consortium will not proceed with the project if they cannot assure a level of occupancy of at least this amount.

Implications for public expenditure

The project will be carried out wholly in the public sector and a separate subsidiary of LRT will be established to build and operate the railway. It has been agreed with your officials that the Consortium's contributions will accrue to the project as revenues and will score as internal resources. Net of the Consortium's initial cash contribution of £45M during construction, LRT's share of the capital expenditure on the railway is expected to amount to some £60M (cash).

Expenditure in 1986/87 will be relatively small and we expect it to be accommodated within LRT's existing EFL. The project is expected to peak in 1987/88 when the public sector share of the outlay could be some £17-£18M, followed by some £15M in the next two years with some carry over into 1990/91. I propose to discuss with LRT how they might best finance this expenditure.

In subsequent years we can of course look forward to reductions in LRT's EFL and grant requirements when the Consortium's annual payments begin and operating surpluses build up to anticipated levels.

No provision has been made in LRT's planned investment programme nor in the planning figures for LRT's EFL to accommodate this additional expenditure. This is not a project that has been initiated by LRT. Nevertheless, I have Keith Bright's assurance that his Board will be prepared to submit an investment case to me but only on the basis of an assurance that LRT's EFLs for 1987/88 and beyond will accommodate this additional expenditure, without adversely affecting their planned investment programme. In the circumstances I think we are bound to accept this and I should like your agreement that we can do so.

Next steps

In my view the understanding we have now reached with the Consortium represents the best deal we could expect and would be a highly satisfactory outcome for the Government. It will provide a valuable addition to London's public transport infrastructure and a stimulus to Docklands as a whole as well as keeping open the prospect of the Canary Wharf development going ahead.

It will be for LRT to draw up the appropriate detailed agreement with the Consortium, the terms of which will be subject to my approval. I am not proposing any further publicity until such an agreement is completed.

I should be grateful for your agreement in principle that we should proceed with this project on the basis that I have described.

I am copying this letter to the Prime Minister, to the Lord Privy Seal, the Chancellor of the Duchy, the Secretary of State for Employment, the Secretary of State for the Environment, the Chief Whip, and Sir George Young, and to Sir Robert Armstrong.

Yours ever

Nicholas

NICHOLAS RIDLEY

15.4.86

DOCKLANDS LIGHT RAILWAY - BANK EXTENSION

NOTE ON INVESTMENT APPRAISAL

1. This note describes the outline investment appraisal made of the Docklands Light Railway (DLR) City Extension project. It is based on data produced by Rothschilds and agreed during the negotiations with the Consortium. The capital and operating costs and revenues were estimated by London Regional Transport (LRT). A more detailed appraisal is now being made by LRT, but there is no reason to suppose that its results will be substantially different from those outlined here.

Criterion

2. The objective of the appraisal is to ensure that the project satisfies normal public sector investment criteria. Transport projects are normally appraised against a test discount rate of 7% (representing a 2% premium on the required rate of return) in order to cover project risks and appraisal optimism. Treasury officials agreed that it would be more appropriate to appraise this project against the required rate of return of 5%. The special factors leading to this conclusion are that a high proportion of the income from the project is being guaranteed by the Consortium; and the residual risks have been explicitly examined. The investment is represented as the capital cost of the project including an appropriate contingency element. The financial returns to the public sector have been taken to comprise the Consortium's contribution, plus net operating profits. In addition non-financial benefits, notably the net time savings to passengers not travelling to and from Canary Wharf, have been appraised.

Assumptions

3. The following key assumptions were made:

i) capital cost - estimated by LRT as £92M at January 1986 prices, for a railway capable of accommodating a full 10 million sq ft occupancy of Canary Wharf, and including a £10M contingency allowance. The cost of a first phase capable of dealing with 5 million sq ft occupancy is currently estimated at some £85M.

ii) operating costs - agreed by LRT and the Consortium to be £5M pa initially, rising to £5.8M at full capacity.

iii) revenues - the Consortium have accepted LRT's revenue model. Traffic levels are dependent on the scale of development at Canary Wharf. The fares are assumed to be at standard Underground levels.

iv) inflation has been taken to remain at 5% throughout the appraisal period.

The Financial Return on Investment and the Consortium's Contribution

4. On the basis of the cost and revenue assumptions set out above, Rothschild's analysis showed that if 100% occupancy of the full 10 million sq ft development were achieved then the net present cost of the project would be some £48M. This would represent the contribution needed from the Consortium at that level of occupancy to achieve the required rate of return in purely financial terms. However, LRT would be exposed to the risk that development might stop short of 10 million sq ft. We asked Rothschilds to look at this risk. They confirmed the Consortium's contention it would not be profitable for them to proceed unless they were confident of letting at least 5 million sq ft. On this basis the central assumption adopted in our negotiations was the achievement of 50% occupancy by 1991. This increased the net present cost of the project to £59M on the basis of a £92M railway.

The Consortium's initial offer was limited to £30M in cash. They progressively increased this to their present offer of £45M in present value terms made up of cash payments of £45M pari passu with LRT's contributions as the railway is built, together with an annual payment of £1.3M for 20 years after completion. In addition they have dropped their requirement that they should participate in any profits from the railway and have guaranteed to meet any abortive costs on the upgrading of the Initial Railway in the event that they decide not to go ahead with their development.

Scope for Phasing of Capital Expenditure

6. Since the analysis assumes as a central case that 5 million sq ft rather than the full 10 million sq ft of development will take place we considered the capital savings which could be achieved by providing a railway initially with capacity to service a 5 million sq ft development with the option of improving it later to cope with the full 10 million sq ft of development.

7. Preliminary estimates show that in this way savings worth at least £6M in NPV terms could be made on the initial capital cost. It would, of course, cost rather more to reinstate these costs at a later stage than to include them in the initial contract. But the extra revenue generated by the extra 5 million sq ft of development is estimated to be worth £11M in NPV terms. On this basis phasing looks the most sensible approach.

8. On the basis of phasing the capital expenditure the Consortium's present offer of £45M in present value terms falls short of the reduced net present cost of the project by some £8M.

Risks

9. i) Capital cost overruns

The capital cost has been based on careful estimates

by LRT. As already stated, to reduce the risks the estimate includes a contingency allowance of £10M. This makes special provision for the risks associated with tunnelling and even setting that element aside the provision is very much more generous than the contingencies allowed for on the initial railway which are proving adequate.

ii) Operating costs

The DLR is a capital intensive railway using proven technology. There is therefore a sound basis for estimating operating costs. The railway will be run by a separate new subsidiary company which will permit the negotiation independently of the Underground of separate agreements on wages and working practices. LRT were sufficiently confident of their operating cost estimates to be prepared to operate the railway on a fixed price contract in the context of the previous privatisation proposal.

iii) Revenue risks

Traffic forecasts are crucially dependent on the level of development at Canary Wharf. The Consortium have said they will not proceed unless they are confident of letting 5 million sq ft although the current draft of the Master Building Agreement only specifies a minimum of 2 million sq ft. It may be possible to secure an increase in the guaranteed minimum level of development but we cannot count on this at present. The effect on the NPV of the project and the development stopping at 2 million sq ft would be a reduction of some £10M. Revenue forecasts also depend on assumptions about fares. The estimates are based on the assumption that LRT will not be able to charge a premium over and above their general level of fares.

Scope for Raising Fares

10. We have legal advice which suggests that when LRT

or a subsidiary run the DLR they could be challenged under Section 8 of the LRT Act if they sought to charge significant premium fares. However there may be some scope within a general revision of fare zones and structures for securing a limited premium fare: a 5p premium would improve the NPV by £14M.

Non-financial Benefits of Investment

11. The financial appraisal does not take account of economic benefits conferred by the extension and not reflected in revenues. A major element in these is the time saved by travellers to and from Docklands. In the case of travellers to and from Canary Wharf it could be argued that the Consortium are paying through their contribution for the increased accessibility to their development. However there are many other, non-Canary Wharf travellers who will benefit from reduced journey times. In assessing the value of these benefits separate values have been allocated to time spent on work and leisure trips. An allowance has been made for the disbenefits resulting from the possible closure of Tower Gateway station.

12. The estimated value of non-Canary Wharf time saving benefits is about £15M NPV. This figures includes no allowance for any additional development benefits for Docklands, nor any allowance for reduced road congestion, vehicle operating costs and accidents.

Conclusion

13. On the basis of a strict financial appraisal the project would fall short of achieving a 5% real rate of return. If the development only reaches 5 million sq ft the financial shortfall in NPV terms is some £8M; if the development proceeds to the full 10 million sq the shortfall is reduced to around £3M. Time saving benefits to non-Canary Wharf users of the railway are alone worth £15M in NPV terms. Thus the project achieves a 5% real rate of return with the proposed contribution from the Consortium after taking account of the phasing of capital costs and these wider transport

benefits. The main risk (though still a small one if the development is to proceed at all) is that the development does not achieve the 5 million sq ft occupancy that the Consortium say is the minimum they will build.

Regional Pol: Inner Cities

PG8

SG

CONFIDENTIAL

CC BG

Department of Employment
Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 5949
Switchboard 01-213 3000

The Rt Hon John MacGregor MP
Chief Secretary
HM Treasury
Great George Street
London
SW1

16 April 1986

NBPM

Dear John,

INNER CITIES INITIATIVE

Thank you for your letter of 8 April.

I agree with you that we need to be as clear as we can be about the ways in which this Initiative should be judged. You will appreciate, I am sure, that we have had to give priority to recruiting and establishing Task Forces in each of the eight areas. Now that this initial work has been done the Central Unit will be able to turn its attention to the question of evaluation and discussions with officials in the relevant Departments, including the Treasury, are being arranged.

Since there is to be a further report to MISC 104 on the Initiative generally and on the impact of its launch by the end of July I suggest we ask officials to report to us on evaluation at the same time. We shall then be in a position to take stock of the Initiative in the round and consider the best approach to be adopted towards its evaluation.

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

Yours ever,

Ken

KENNETH CLARKE

CONFIDENTIAL

REGIONAL POLICY: Inner Cities: Pt 8

FILE

DA

10 DOWNING STREET

From the Private Secretary

15 April 1986

The Prime Minister has seen the proposed sign which you sent me with your letter of 14 April about winning public credit for Government funding of Urban Programme projects.

The Prime Minister feels that the wording of the sign is a little bureaucratic and suggests that it would be more direct to say: "Helped by money from the Government's Urban Programme". Consequential or similar changes would need to be made to the other statements described in your letter. Could you consider this please.

Cleared by BF phone.

I am copying this letter to Joan MacNaughton (Lord President's Office) and Andrew Lansley (Chancellor of the Duchy of Lancaster's Office).

(David Norgrove)

Neil Kinghan, Esq.,
Department of the Environment.

Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 7601

Minister for Housing,
Urban Affairs and Construction

14 April 1986

Dear David,

At the Prime Minister's meeting with members of the backbench New Towns and Urban Affairs Committee on 27 February, it was suggested that the Government was sometimes not getting enough public credit for its funding of Urban Programme projects.

Mr Patten has been looking at what we might do to ensure more publicity for the Government and has asked me to let you know of the new arrangements he has made. They cover Urban Development Grant and Derelict Land Grant as well as the Urban Programme.

In future when we inform local authorities of the Urban Programme grant they are to receive, the Department's letter will include the following paragraph:

> "The Department wishes to ensure that the role of the Urban Programme in the community is widely understood. The contributions made by the Government through the Urban Programme must be acknowledged in all cases where public recognition of the financing sources for a project is being given. In particular, while capital schemes costing more than £10,000 are in progress, a noticeboard must be erected on site containing the statement 'Grant-aided by the Government's Urban Programme'. Standard signs for construction sites will be available from the Regional Office."

When derelict land grant is approved, letters will say:

> "The Secretary of State considers it important that the general public should understand both the nature of the project underway and the sources of its finance. To this end the Council developer is required to arrange for the display of a noticeboard on the site. This should include a statement along the lines of 'this project is government supported through derelict land grant'. Any other publicity for the project should carry similar acknowledgements."

Urban Development Grant approvals will include the condition that:

> "The local authority also undertakes to ensure that a sign is displayed at the site of the project stating that the project is receiving Urban Development Grant from the Government."

We do not have the power to require authorities or developers to advertise in a particular way but Mr Patten believes that wording of the kind set out above will ensure much better publicity for Government funding. The Department's regional offices will follow up approval letters by offering our own signs - an example of the smaller version is with this letter (the alternative version is twice this size). We will monitor the effectiveness of this approach.

I am copying this to Joan McNaughton (Lord President's office) and Andrew Lansley (office of the Chancellor of the Duchy)

Yours ever,

Neil Kinghan

NEIL KINGHAN
Private Secretary

David Norgrove Esq

MISC 104

Ld Pres.
HS
S|Educ
S|HSS
CDL
S|Tsp.
S|Emp.
S|Env.
CS, HMT
S|TI

Min Gp

David Waddington
John Butcher
Chris Patten
Ian Lang
Sir G. Young

bc BG

10 DOWNING STREET

From the Private Secretary

10 April 1986

INNER CITIES INITIATIVE

The Prime Minister was grateful for your Secretary of State's minute of 27 March reporting the progress which has been made in establishing inner city pilot schemes.

I am copying this letter to the Private Secretaries to members of MISC 104 and members of the Ministerial Group on this Initiative and to Michael Stark.

David Norgrove

Jacob Franklin Esq
Paymaster General's Office.

010 003/1285

CC BF

CONFIDENTIAL

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Kenneth Clarke QC MP
Paymaster General
Department of Employment
Caxton House
Tothill Street
London
SW1

8 April 1986

Dear Ken,

INNER CITIES INITIATIVE

In PM's Box.

Thank you for sending me a copy of your minute of 27 March to the Prime Minister.

I am glad that good progress is being made. I think it important, however, that work should proceed quickly on deciding how we are going to evaluate the success of the initiative. This is all the more important, because the initiative is an experiment.

You have already agreed in principle that an official working group should be set up to examine this. I suggest that it should be asked to report back to us by the end of June at the latest.

I am copying this letter to members of MISC 104, members of your Ministerial Group and to Sir Robert Armstrong.

Yours ever,

JOHN MacGREGOR

CONFIDENTIAL

CONFIDENTIAL

CC BG.

BF Monday.
Comments HB?

PRIME MINISTER

I have received a copy of the Paymaster General's minute to you of 27 March about the action taken to establish pilot schemes in 8 inner city areas.

George Young has kept me in touch with the good progress made in setting up the teams, and establishing Ministerial contact in each area. I can confirm the Paymaster General's first impression that the areas have different problems which need to be tackled in different ways, and his view that the local authorities vary in their competence and cooperativeness.

Where the local authority is unresponsive, I fully support the proposal to develop alternative agencies for the delivery of programmes. This also applies where direct action with the private sector stands the best chance of succcess. This is the thrust of the new powers we are taking to pay Urban Regeneration Grant direct to the private sector. I am, as you know, considering how we can learn from and reproduce the success of the London Docklands Development Corporation. This has now generated over £1 billion of private investment in an area which would probably have remained disused and derelict without the coordination and drive which the LDDC has provided.

On the use of local labour, the urban programme is no different from other Government programmes supporting capital schemes. Value for money is secured by letting contracts on the basis of competitive tender with minimum constraints. This benefits the taxpayer and promotes efficiency and competitiveness in the private sector. However, I recognise the difficulties and tensions this causes in areas like Handsworth. I was however glad that George Young was able to contribute a constructive set of pilot proposals to increase the use of local labour without entering the minefield of unacceptable contract terms.

CONFIDENTIAL

Providing that our opposition to the abuse of procedures is not compromised, I am prepared to support constructive initiatives to increase the use of local labour. I shall use my influence with key employers in the construction industry to help here.

On training, I understand that black youths from the inner cities are under-represented on good MSC schemes. I am glad that the Paymaster General is looking into this as part of our general efforts to improve targeting.

You are already aware of the major initiative to improve the management and targeting of the urban programme in a way which is fully consistent with the precepts of the Financial Management Initiative. Both the setting of local objectives and the approval of individual projects will remain under strict Ministerial control. I do not agree that the programme is too much directed by the local authorities. For example in Southwark we turned down 10 of this year's 13 bids for urban programme support. In Lambeth, 142 of the 195 submitted bids have not been approved.

The training and recruitment issues being raised by the Paymaster General's Group are important. In the longer term the level of employment and the social cohesion of these areas will also depend on action to clear dereliction, to encourage the private sector to reinvest, and to find a new focus for enterprise, economic growth, and the generation of real and permanent jobs.

I am copying this minute to members of MISC 104 and the Paymaster General's Group, and to Sir Robert Armstrong.

KB

K B

4 April 1986

REGIONAL POLICY : Inner Cities : Pt 8

SK/D75

010

CONFIDENTIAL

Prime Minister?
To note that the 8 task forces have begun their work. This minute adds no new information.
DRS 7/4.

PRIME MINISTER

INNER CITIES INITIATIVE

1 At the last meeting of MISC 104 on 30 January David Young and I were asked to report back to the Group by the end of March on the action that had been taken to establish pilot schemes in the eight inner city areas that have been chosen. A further report is to be made by the end of July on the impact of the initial launch.

2 Immediately following that meeting we agreed with colleagues both the terms of the statement announcing the Initiative and, following discussion with the Chief Secretary, the amount of new money to be made available for 1986/87 (£5 million from the Reserve plus £3 million from existing DE provision).

3 Statements were made in both Houses on 6 February. Since then urgent action has been taken to set up local task forces and a Central Unit based in this Department. Principals have now been appointed to lead the teams in all eight areas. They have been drawn from the Departments of Trade and Industry, Environment and Employment, and from the Manpower Services Commission, while the Central Unit includes staff from the Home Office and Environment as well as from Employment. Co-ordination and control of the exercise is being carried out by an informal group of Ministers under my chairmanship. Those involved are: David Waddington (Home Office), Chris Patten (Education and Science), Sir George Young (Environment) and John Butcher (Trade and Industry). Our next organisational task is to recruit private

sector members of the Task Forces and persuade local industries and chambers of commerce to support our efforts. I am also ensuring that all the Task Forces are accommodated in visible and accessible premises within the actual areas concerned.

4 In the last few weeks I have made visits to all eight areas, at least once in each case and to some twice, to make first contact with Local Authorities, voluntary groups, community leaders and employers and to form first impressions both of what needs to be done and of the scope for better co-ordination and targeting of programmes.

5 These areas are markedly different one from another. It is a great over-simplification to talk of a national "Inner City" problem when the specific problems of the people in these different districts vary so greatly. I am already clear that we shall need to adopt and experiment with a wide variety of different approaches to suit particular circumstances in each place. The other Ministers involved with me in this exercise are also visiting the areas on a regular basis and we are now assessing, with the Task Force leaders, what main ideas and plans for action should be pursued.

6 There are some clear signs that the money that is already being spent in these areas is not being as directly helpful to the people who live there as we would wish. One example of this is to be found in Urban Programme Projects under which Local Authority contractors typically bring in workers from the suburbs and elsewhere to carry out the work rather than the jobs going to unemployed residents. This causes great resentment in some areas and greatly reduces the impact of these large sums of public spending on the real problems of the communities concerned. I am therefore

considering with Kenneth Baker and George Young what more can be done, whether by contractual or other means, to ensure that greater economic and employment benefits can be brought to the inhabitants of these areas through the use of these environmental resources.

7 There is a wide variation in the attitude and competence of the local authorities concerned which does not always reflect their political control. Some, such as Birmingham, are pragmatic and are already actively involved in a great deal of worthwhile activity alongside Central Government. Others, most notably Southwark, are hostile and politically extreme to the extent of failing to cooperate with most Government programmes. This is reflected not only in the Urban Programme which still tends to be too much directed by the local authority in most places but also in the sparse provision of MSC programmes such as YTS and the Community Programme. We are endeavouring to co-operate with every authority and will act in partnership with them wherever possible but in some areas we will need to look particularly hard for other agencies and private sector bodies to provide the local delivery we require.

8 We have found a number of useful agencies who seem likely to be of value to us. Project Fullemploy is operating very successfully in a number of areas giving business and skills training to ethnic minority youngsters. It has a very strong management team with substantial private sector backing. We are offering it increased support which will help consolidate its central organisation and which, together with additional private sponsorship should enable it to expand its efforts in partnership with us in our task forces areas. An Enterprise Agency known as Black Business in Birmingham is off the ground in there and we are considering ways of

strengthening it including the possible secondment of a black American businessman by a merchant bank. We will need to search for more reliable organisations of this kind in every area whose problems we are tackling.

9 We are begining to establish contact with major local employers in order to discuss their problems of recruiting and training in these districts of the cities concerned. I believe that some important firms will respond by enabling us to offer more job opportunities to people in these districts who are willing ~~to~~ and capable of taking them up.

10 My Ministerial colleagues on the informal group and I have attracted a great deal of local publicity to the initiative in the cities concerned and have begun to make the local population familiar with our work. I do not propose to rush into seeking a more substantial national exposure of our efforts until we have more visible progress on the ground.

11 I shall be in a better position to report more fully on the progress we are making as well as on the reactions to and impact of the Initiative generally when the Group meets again before the Summer Recess. Meanwhile I am grateful to all my colleagues for the help they are giving in creating the close cooperation across Government which is going to be required for success.

12 I am sending copies of this minute to members of MISC 104, members of the Ministerial Group on this Initiative and to Sir Robert Armstrong.

KC

27 March 1986

CC BG

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Rt Hon Kenneth Clarke QC MP
Paymaster General's Office
Caxton House
Tothill Street
LONDON
SE1H 9NF

13 March 1986

NBPM

Dear Ken,

Thank you for your letter of 19 February about the new inner city initiatives in England.

I am naturally disappointed that you should take the view that none of the extra resources should come to Scotland, especially as £3 million of the resources have been withdrawn from other DE/MSC programmes, which would otherwise have been available on a GB basis. This means that Scotland has clearly lost proportionately.

The sum is, however, small and I would be content not to press you unduly on this point, if I could have your reassurance that there is scope for subsequently extending to a few chosen areas in Scotland whatever relevant new approaches are developed for the English areas. As you rightly say, my predecessor concluded that the proposed mechanism of small task forces of civil servants from the different departments concerned was not appropriate in the Scottish context, and so did not press for a Scottish inner city pilot area to be included. But he did emphasise, throughout the discussions that led up to your announcement on 6 February, that we would wish instead to focus primarily on joint initiatives in Scotland which essentially aimed at tackling the same problems. In this context, it would be very helpful - and, it seems to me, entirely appropriate - for us to be able to say that any suitable new approaches for the 8 pilot areas might in due course be applied in chosen Scottish areas. I understand that you will be reviewing the pilots in the autumn, and I suggest that it would be appropriate to see what would be of relevance in the Scottish context at that point.

If you agree in broad terms to what I have proposed, I suggest that we might ask our officials to pursue this in detail in due course.

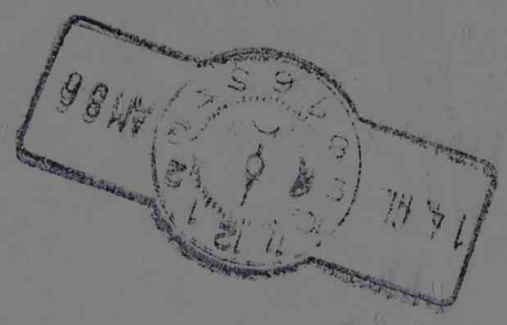
I am sending a copy of this letter to the other members of MISC 104.

Yours ever
Mal

MALCOLM RIFKIND

LBU07105

REGIONAL POLICY
INNER CITIES
PT 8



10 DOWNING STREET

2

Prime Minister

The Treasury have accepted that the docklands railway should be public sector, but financed at least half by the Canary Wharf developers.

DRN
10/3

Terms have yet to be finally negotiated with the developers.

Personal

NOTE OF A MEETING HELD IN THE CHIEF SECRETARY'S ROOM ON WEDNESDAY, 26 FEBRUARY

Present:
Chief Secretary
Mr Colman
Mr Stredder
Mr Stock

Secretary of State for Transport
Mr Goldman
Mr Yass
Parliamentary Under Secretary of State, Department of Environment (Sir George Young)
Mr McQuail

DOCKLANDS LIGHT RAILWAY AND CANARY WHARF

The Secretary of State for Transport said that his letter of 25 February explained the new situation which had arisen. Mr Travelstead had originally been prepared to operate the railway but he was not now prepared to do so although he was prepared to make a contribution towards the capital costs of constructing it. In his view, even though this meant the railway would now be in the public sector, it was better to go ahead with a scheme on this basis since it would in practice have been difficult to oblige Mr Travelstead to operate the railway indefinitely; and because a private railway would have created numerous political problems with lobby groups seeking concessionary fares and with the existing rail unions. London Regional Transport's (LRT) current projections suggested that the railway would make a small profit (although these were based on optimistic assumptions and a small loss was just as likely); and there would be the capital cost of £90 million of constructing the railway subject to the usual risks of cost overrun. Against this, Mr Travelstead was now offering a down payment of £45 million to be remunerated if the railway showed a profit; and a further £45 million to be raised from leaseholders in Canary Wharf or other sources in future years. He was clear that these proposals were unacceptable. He believed that the proposed down payment of £45 million should be unremunerated and that aim in negotiations

s uld be to secure the greatest possible further financial input from Mr Travelstead.

2 The Parliamentary Under Secretary said that he agreed that Mr Travelstead's offer was unreasonable. In his view, the consortium's existing financial commitment to Canary Wharf made it unlikely that they would lightly drop the project and that it ought therefore be possible to push them somewhat further in negotiation. But it would be important to conclude these negotiations relatively quickly.

3 The Chief Secretary said that subject to a final collective decision being taken in the context of a full assessment of the project, he agreed that the only way to proceed for the time being was on the basis that the railway would be a public sector project. It was essential to ensure that the contribution offered by the consortium was unremunerated and the aim in negotiation should be to seek a contribution as far above £45 million as possible.

4 Mr Yass reported that preliminary discussions with the Consortium suggested that they would be ready to drop their condition that the payment of £45 million be remunerated if their remaining financial contribution took the form of a sinking fund to cover any gap (which on LRT's forecast was likely to be small) between the financing costs and the revenue of the railway. In principle, there was no objection to commuting payments sufficient to cover this gap into a lump sum. Such a lump sum would of course also have to be unremunerated. Mr Goldman suggested it would also be important in negotiations to determine the basis for the payment sought by the Government. One possibility was a payment of £88 million, representing the likely cost on slightly less optimistic assumptions than those used by LRT. When the maximum unremunerated down payment had been negotiated there would be a further possibility of negotiating other financial support for the project from the Consortium. The Secretary of State favoured a loan arrangement under which the Government loaned money to LRT for on-lending to Consortium which would repay the loan over time - the arrangements it made to repay the loan would be its own business.

5 In discussion of the legislative timetable, the Secretary of State said that he was concerned that if the private Bill lost its

second reading next week there could be no certainty that it would gain a slot in sufficient time for Committee stage to begin in May. He recognised that to proceed with the Bill might weaken the Government's negotiating position to some extent because the Consortium were likely to interprut the move as domonstrating the Government's unwillingness to see the project collapse altogether. Nevertheless, he believed he could make it clear personally to Mr Travelstead that the Government was proceeding with the Bill at this stage purely for Parliamentary reasons and that it was not committed to building the railway unless the terms were right. On this basis, he was inclined to favour proceeding with the Bill the following week rather than risking delay.

6 Summing up the discussion, the Chief Secretary said that it was agreed that:

(a) final decisions on whether or not to proceed with the railway would need to be taken by Ministers collectively in the context of a full assessment of the project and final details of the financing arrangements;

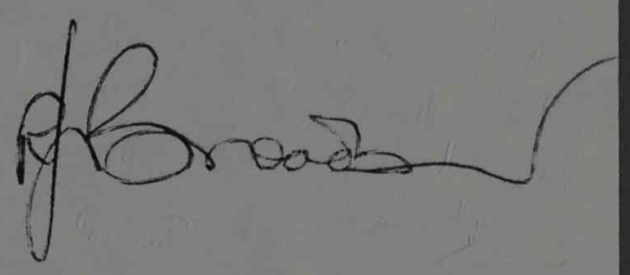
(b) subject to that, it was right to negotiate the best possible terms with the Consortium on the basis that the railway, if it went ahead, would be a public sector project;

(c) the key objective in those negotiations should be to secure agreement that the initial down payment should not be remunerated; and that it should be increased to the highest possible figure above £45 million;

(d) beyond that, the possibility of further financial support through a loan arrangement should be pursued;

(e) the Secretary of State for Transport was inclined to proceed with the private Bill next week and he should take a final decision on the basis of his consultation with the Whips;

(f) the public expenditure consequences of proceeding with a public sector railway could not be determined at this stage and would need to be looked at further, including the possibility of offsetting savings, when final decisions were taken.



R J BROADBENT
Private Secretary

Circulation:

Those present
Chancellor
Financial Secretary
Economic Secretary
Minister of State
Sir P Middleton
Mr F E R Butler
Mr Anson
Mr Monck
Mr Jameson
Mr D J L Moore
Mr Scholar
Mr Turnbull
Mrs R Butler
Mr Hyman
Mr Instone
Mr H Davies

010

cc B/G

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon John MacGregor, OBE, MP
Chief Secretary to the Treasury
Treasury Chambers
LONDON
SW1

25 FEB 1986

Dear John

We are meeting at 10.30am tomorrow with George Young to discuss the latest position on the Docklands Light Railway. I am writing to set out briefly where negotiations stand with Mr Travelstead and to suggest how these should be taken forward.

Background

At the end of November, we reached an agreement with the Canary Wharf Consortium whereby London Regional Transport, at the Consortium's expense, would work up a detailed design for extending the Docklands Light Railway to Bank and take steps to promote the necessary Bill in Parliament. This they have done. A scheme has been devised with a projected capital cost of some £92M. Second Reading of the London Docklands Railways (City Extension) Bill is scheduled for 3 March.

In November we also agreed that we should jointly prepare a scheme for privatising the railway. The intention was that the Consortium would underwrite the funding of the extension and that the whole railway would be transferred into the private sector; the Consortium would be owners of last resort.

Despite a great deal of effort on all sides, the Consortium have now decided that they do not wish to go forward with a privatisation. They gave three main reasons for this:

1. The financial projections do not offer a sufficiently high and assured level of profitability to attract investment on normal commercial terms.

2. In the Consortium's view there were technical and legal problems about the transfer of the necessary assets and powers to the private sector which introduced unacceptable levels of uncertainty unless extensive warranties and indemnities were given by Government.

3. Both LRT and the Consortium have come to the conclusion that it could be extremely difficult to secure the passage of the Bill without imposing certain restrictions and obligations on the owners of the railway, for instance to provide a minimum level of service. This would be incompatible with the philosophy of privatisation and would compound the difficulty of securing genuine private sector risk capital.

New Proposal

In the absence of an agreed privatisation scheme, the Consortium have now offered to provide funding for the railway on a completely different basis. Under their new proposal they would guarantee to provide sums sufficient to enable the proposed extension to go ahead on the basis that LRT would build it and operate it. This would relieve the Consortium of the responsibilities associated with owning and operating the railway, relieve them of the risk of cost or time overruns on the contract and protect them from any subsequent operating losses.

We initially understood this offer to cover the whole projected capital cost (£92M) of the railway. However, we now have written proposals from them which restrict their payment to the sum required once projected operating profits from the railway have been taken into account.

The Consortium's contribution would consist of two elements. £45M of it would be in the form of a direct payment from the Consortium. The balance would be funded by LRT through borrowing and subsequently reimbursed by the Consortium from a sinking fund to which all tenants of the new development would contribute. This element could be paid either on a year by year basis or commuted to a single lump sum to be added to the initial £45M.

Problems With New Proposal

The size of the second element would depend crucially on what level of projected operating profits were agreed. If they were fixed at the fairly optimistic levels used in LRT's current base case the contribution from the sinking fund would be minimal. Agreeing to such a high level of projected profits would mean accepting potentially very high risks that income would fall substantially short of the borrowing costs incurred by the public sector. Revenues are heavily dependent on the success of Canary Wharf and the risks could be partially offset by negotiating a guarantee from the Consortium. While they seem prepared to consider guaranteeing a set level of development (say 5m sq ft) by a given date they are unwilling to guarantee traffic levels. The risks would therefore still be unacceptably high in both LRT's view and our own.

Shortfalls on operating profits are not the only risks confronting LRT if the scheme were to go ahead on this basis. Any cost overrun onthe contract would need to be borne by LRT. This could be a substantial risk given the nature of the project. Furthermore, the Consortium will doubtless want to impose fairly

stiff conditions about completion dates: we may not be able to secure their contribution if there are serious delays.

Assessment

There has not been time to carry out a detailed financial appraisal of the project on the new basis. However, Rothschilds advise that Government should negotiate on the basis of securing an adequate lump sum from the Consortium to cover all the contingent capital and revenue risks borne by LRT, and should not negotiate on later phased payments based on projected operating profits: the risk on Canary Wharf patronage would remain unacceptably high (because of the Consortium's unwillingness to provide guarantees related to traffic/lettings as opposed to construction levels); fares to be charged in the public sector would remain in issue (the Consortium would press for premium levels as they proposed); and it would be technically difficult to frame an agreement to avoid future disputes (eg. over provisions for renewals etc).

On this basis, Rothschilds' preliminary figures of the additional capital sums needed from the Consortium over and above the £45M on offer, to minimise risks (ie. allowing for a 20% capital cost overrun and 20% shortfall in traffic relative to the presently optimistic forecasts) and to secure a 7% real rate of return are:

i) At LRT fare levels - £43M;

ii) At a premium of 10p on LRT fare levels - £28M;

iii) At a premium of 20p on LRT fare levels - £15M;

iv) At a premium of 30p on LRT fare levels - £7M.

The most difficult area is that of revenue risks. There is of course a possibility that, even if the Master Building Agreement for Canary Wharf is signed, the development will not go ahead, or will be on a much reduced scale. I have asked for further work to be put in hand urgently to determine the effect on traffic of completing the development up to different stages in order to try and quantify these risks further.

We do not yet have LRT's own assessment of the revenue risks, or indeed of the project as a whole. The LRT Board must themselves be satisfied that the project is one that they can justify, and it is they who must reach agreement with the Consortium (with our approval). Among other matters, they will have to negotiate satisfactory arrangements for the Consortium to finance the cost of upgrading the initial railway.

Implications for Public Expenditure

The Consortium have indicated as their negotiating stance that they would want their initial capital investment of £45M remunerated if the projected operating profits on the railway exceeded the level necessary to service LRT's loans for the

balance of the capital investment. If this were conceded all money provided by the Consortium would score as external finance and count against LRT's EFL. In this case LRT in order to justify the whole of the expenditure on this project would have to be able to demonstrate non-financial benefits sufficient to yield a 7% real rate of return on capital employed. For this reason and because LRT would be bearing the whole of the commercial risk, this negotiating condition of the Consortium is unacceptable.

On the other hand, provided the Consortium had no rights to any return on their initial capital payment it, and any further payments made out of their sinking fund, would count as internal resources and would not score against LRT's EFL. The balance of the costs of the scheme would count as public expenditure, scoring against the EFL, in the years incurred and would be offset in future years by any subsequent payments by the Consortium. Unless the Consortium agreed to a single lump sum payment, instead of phased payments, additional resources would have to be earmarked during the 3-year construction period. The project would remain to be justified on the basis of a financial appraisal requiring a 7% rate of return on capital taking into account the stream of revenues from the Consortium and the railway itself.

The forward provision for LRT makes no allowance for public sector investment in the DLR extension. Any extra call for external finance would have to be accepted as an additional bid in the coming public expenditure round.

Other Issues Relevant to the Negotiations

Originally it appeared that the Consortium were making the DLR the only absolute transport infrastructure stipulation. The Consortium are now seeking detailed commitments about the provision of roads as part of the Master Building Agreement, being negotiated between LDDC and the Consortium. This will specify the infrastructure and construction works apportioning detailed responsibility between the Consortium and LDDC. They are presently aiming to agree a final draft of the Agreement by 31 March, although it will not be signed until after the DLR Bill has received Royal Assent.

The public sector commitment being sought would be £25M of direct infrastructure costs (including £15M on roads) together with £33M of additional (or at least greatly accelerated) expenditure on associated roads. This includes proposals for the Docklands Northern Relief Road.

We need to take account of this additional demand from the Consortium in taking an overall view of the Canary Wharf negotiations.

Point for Decision

The first question is whether we should proceed with the extension of the railway as a public sector project. Given the difficulty

of privatising the railway and the implications for Canary Wharf we believe we should provided:

i. we do not concede remuneration of the Consortium's capital because of the adverse public expenditure consequences implied by that;

ii. agreement can be secured to an appropriate figure which both minimises the risks and secures an adequate return on capital.

The second question concerns our negotiating stance with the Consortium over the railway. The Consortium have sensed the importance of Canary Wharf to Government and we are in danger of being pushed firmly back on the railway. We must stick out for the best terms. This means pushing back towards the initial position of the Consortium that they would cover all capital costs (indexed) and a return on capital borrowed without substantial income offsets because of the revenue risks being borne by the public sector. We are unlikely, however, to be able to hold to that position. We should therefore aim, at the minimum, to reach agreement on a sufficiently large lump sum from the Consortium as advised by Rothschilds. Their present analysis suggests that we should open by demanding an additional sum of about £43M since this reasonably minimises construction risks to LRT and would give reasonable assurance that the balance could be found from revenues at realistic public transport fare levels. (It may not however adequately cover risks that the Canary Wharf development does not go ahead as currently planned, and we need to do some further work on this and to have LRT's assessment of the risks involved).

The final question concerns the timing of Second Reading of the City Extension Bill. The Consortium believe that with Second Reading impending on 3 March they can force the Government to quick decisions this week. It would be to our advantage to slow the process down - for which the Consortium can be blamed because of their volte face - leaving more time to reach a sensible and considered response to their position and to secure agreement with LRT (whose board will now have to agree to accept responsibility for this as a public sector project and to accept responsibility for the capital and revenue risks involved) and subsequently with the Consortium. I therefore propose to defer Second Reading, although there may be difficulties in finding an alternative date before Easter.

Conclusion

George Young and I are to meet you on Wednesday 26 February to discuss this. I hope we can then agree that:

i. we proceed with the extension of the railway as a public sector project provided we can negotiate an acceptable financial contribution for the Consortium to the capital costs;

ii. we should seek a contribution which will in total produce an acceptable financial return at LRT fare levels. Initial calculations suggest that this would imply a contribution of some £88M in total from the Consortium.

iii. the LRT Board must reach their own view of an acceptable contribution based on their assessment of capital and revenue risks. We should back the LRT Board in reaching agreement on this basis.

iv. we should delay Second Reading beyond 3 March. There are however problems in finding an alternative date before Easter.

I am copying this letter to the Prime Minister, Kenneth Baker, George Young, John Biffen, John Wakeham, Norman Tebbit and to Sir Robert Armstrong.

Yours ever

Nicholas

NICHOLAS RIDLEY

DC

CONFIDENTIAL

CC BG

Department of Employment
Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 5949
Switchboard 01-213 3000

Malcolm Rifkind Esq MP
Secretary of State
Scottish Office
Dover House
London SW1

19 February 1986

NBPM.

Dear Malcolm,

Thank you for your letter of 7 February about our new inner city initiative.

I am afraid that I am quite clear that the extra resources agreed for this initiative must be devoted to the eight pilot areas we have chosen and that there can be no question of their diversion to other areas. No one is denying that some Scottish (and other English) cities face comparable problems, but we agreed that this is a pilot approach, not one at this stage designed to apply universally in innner city areas. Indeed, your predecessor expressed a wish not to be involved in this initiative and the tentative selection of a Scottish city was therefore dropped.

I would be happy to discuss your plans for adopting new approaches in some Scottish areas at some stage, and indeed would consider it essential to do so if MSC or DE programmes might be involved. But on the whole I think it would be preferable to concentrate on getting the 8 pilots properly launched before we start considering further areas.

I am sending copies of this letter to the other members of MISC 104.

Yours ever,

KENNETH CLARKE

CONFIDENTIAL

REGIONAL POLICY: Inner Cities: Pt 8

CCBG

NEW ST. ANDREW'S HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

Prime Minister

DRN
11/2

CONFIDENTIAL

Rt Hon Kenneth Clarke QC MP
Paymaster General's Office
Caxton House
Tothill Street
LONDON

7 February 1986

Dear Ken,

I have seen a copy of your Principal Private Secretary's letter of 5 February to the Chief Secretary to the Treasury's Private Secretary, enclosing a copy of the statement you made on 6 February on new inner city initiatives in England.

As you know, I took the view at MISC 104 last week that the proposals for new inner city initiatives had no direct implications for Scotland, where (particularly because of the role of the Scottish Development Agency) administrative and co-ordination arrangements are very different. However, the fact that none of the 8 pilot areas is in Scotland does not mean that there are not comparative urban unemployment problems. In principle we should be keen to explore with you the scope for adopting for a few chosen areas in Scotland the new approaches on training and employment which you have in mind for the 8 chosen areas in England.

I was pleased to hear that you had managed to secure an extra £5 million for this purpose. As these extra funds will presumably go to complement existing Community Programme resources (which are held by your Department on a GB basis), I am naturally keen that an equitable proportion of these resources come to Scotland.

I am asking my officials to get in touch with yours as a matter of urgency to follow this up.

I am copying this letter to members of MISC 104.

Yours ever,

Malcolm

MALCOLM RIFKIND

PCC03801

REGIONAL POL
INNER CITIES
PT 8

CONFIDENTIAL

CC BG

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215) 4301
GTN 215)
(Switchboard) 01-215 7877

Prime Minister 4
Here, as elsewhere in this initiative, the flexibility of departments, and being shown by them, seems limited.
DGN 6/2

From the Parliamentary Under Secretary of State for Industry

JOHN BUTCHER MP

Rt Hon Kenneth Clarke QC MP
Paymaster General
Department of Employment
Caxton House
Tothill Street
LONDON SW1H 9NF

6 February 1986

Dear Ken,

INNER CITY INITIATIVE

Your Private Secretary circulated yesterday a draft of the statement you propose to make today on this initiative.

As I told you in the House yesterday, this Department is keen to assist in this initiative in any way possible, but I have some difficulty accepting the wording of the last paragraph on the first page where the statement says "Our first aim will be to ensure the better targetting and more effective use ..... of existing central Government programmes". This seems to me to imply that DTI schemes will be directed towards the chosen inner city areas, which I cannot agree to because it would involve a fundamental shift in our regional policy which has only just been reviewed collectively. I would have preferred the wording "Our principal aim will be the most effective use for the actual residents in the targetted areas of the money channelled through existing central Government programmes .....". In fulfilment of these words, I could agree to:

(a) promote more heavily in the selected areas the assistance available under the existing rules of all DTI schemes;

(b) to give priority to the handling of cases from the selected inner city areas;

(c) ask English Estates to give priority to development projects in the selected areas that fall within the Assisted Areas (ie Birmingham, Manchester and Middlesbrough). However, I could not agree to divert

J14ADW

CONFIDENTIAL

1786 1986 BOARD OF TRADE BICENTENARY

999-11

money from English Estates' Assisted Area programmes to fund investment in the selected areas outside the Assisted Areas;

(d) make use of the powers available under the 1982 Industrial Development Act to channel any new money and resources into all of the selected areas; and

(e) extend the Business Improvement Scheme which supports advisory and consultancy services to small businesses in steel, textile and fishery closure areas.

You said that you could not accept my revised wording. If this remains your position, I can agree to the existing text on the strict understanding that this does not imply a change in the rules and criteria of existing DTI schemes, other than the proposals I have outlined above.

I am copying this letter to Douglas Hurd, Keith Joseph, David Young, Kenneth Baker, John MacGregor and David Norgrove (No. 10).

Yours ever

John

JOHN BUTCHER

J14ADW

1786 1986 BOARD OF TRADE BICENTENARY

The result was very successful. The result of this may well be that the British Gas Corporation itself will take a commercial decision on the matter if the prices remain at a low level, but that must be for the gas corporation.

Lord Bruce of Donington: My Lords, is the noble Lord aware that his noble friend Lord Gowrie made exactly the same point, not in 1980 but 18 months later, thereby reiterating the Government's right and indeed their intention to force up prices?

Lord Gray of Contin: My Lords, the policy which was followed was followed for a period of three years in order to re-establish the position whch had been lost during the time in which the party of the noble Lord was in power and the situation was not faced up to.

Baroness Burton of Coventry: My Lords, does the noble Lord recall—and it is a point that consumers remember—that during the lifetime of this Government, which is more recent than the one to which he referred, they have forced up the prices of water, gas and electricity, when not one of the chairmen of those industries thought it was necessary?

Lord Gray of Contin: My Lords, on a previous occasion I think I have paid tribute to the work of the noble Baroness and her concern for the consumer; but sometimes, when dealing with a situation which has got very much out of hand, it is necessary to take steps which are unpopular at the time in order to achieve the proper results in the longer term.

Lord Diamond: My Lords, having regard to the prepenultimate answer which the noble Lord gave, is he assuring us that the gas board will have recourse only to commercial considerations in any prices which it charges between now and the time of privatisation?

Lord Gray of Contin: No, my Lords, I am not giving the noble Lord any such assurance. I made it absolutely clear that this must be a matter for the British Gas Corporation, and if he has any doubt about that I suggest he writes to the chairman of that corporation.

Business

3.29 p.m.

Lord Denham: My Lords, at a convenient moment after 3.30 this afternoon my noble friend Lord Lucas of Chilworth, with the leave of the House, will repeat a Statement that is to be made in another place on British Leyland.

It may be for the convenience of the House if I announce that the Report stage of the Shops Bill will be adjourned at approximately 7 p.m. for approximately one hour, and that during this adjournment the Committee stage of the Gaming (Amendment) Bill and the Importation of Live Fish of the Salmon Family Order 1986 will be taken.

Inner Cities: Government Assistance

Lord Young of Graffham: My Lords, with the leave of the House, I should like to make a Statement on Government help to people living in inner city areas.

We are all only too well aware that people who live in many inner areas of our cities suffer from a wide range of long-standing problems. The Government have increased the amount of central government money spent on employment and training programmes, urban regeneration, and industrial assistance in these areas. We have taken a number of measures including setting up last year city action teams to co-ordinate and target government effort in the seven inner city partnership areas.

In order to complement and build on this existing work we have now decided to try out a new approach to the task by intensifying and bringing together the efforts of government departments, local government, the private sector and the local community in eight small inner city areas.

This initiative is a further step to improve the targeting and enhance the benefit to local people of the money channelled through existing central government programmes. They include the employment and training programmes of the Manpower Services Commission, the Department of Trade and Industry's programme of regional and industrial assistance, the Department of the Environment's urban programmes, and the Home Office programmes of black business support and grants to support staffing of services to ethnic minority populations.

Within the chosen areas we shall try out new approaches, particularly on training provision, and employment or self-employment opportunities for local residents. This will be tackled through projects and activities of wider but direct benefit to the residents of the areas concerned and their environment. We shall seek to stimulate enterprise and provide a stronger base for the local economy. We shall give special attention to the problems of young people from ethnic minorities where they are particularly disadvantaged.

To test our approach we have selected eight areas which are diverse in their character but whose residents all share problems of deprivation and lack of opportunities. They are not necessarily the eight most deprived areas in our cities, but the people who live in them need more employment opportunities, support for their local business economy and a better physical environment. We shall introduce our new initiatives in Notting Hill and North Peckham in London, the Chapeltown area of Leeds, North Central Middlesbrough, the Highfields area of Leicester, Moss Side in Manchester, St. Paul's in Bristol and Handsworth in Birmingham.

We shall be establishing small task forces in each of these areas. They will work with the local authorities, and local community and voluntary organisations. They will quickly seek to attract private sector participation.

[LORD YOUNG OF GRAFFHAM.]

We shall seek early discussions with the local authorities concerned about the details of this initiative. We hope to persuade the local authorities to join with us and use their own programmes alongside our own in a concentrated and targeted effort to improve work prospects and the quality of life in these areas.

Large sums are already available to the chosen areas under existing Government programmes. But in order to help the initiative get off the ground the Government will be supplementing the sums with some £8 million of additional money of which £3 million will be found from within my department's existing provision and £5 million will be found from the reserve.

The initiative will be led by a team of Ministers drawn from the Departments of Employment, Education and Science, Trade and Industry, Environment and the Home Office. I will have overall responsibility for the co-ordination of this initiative. My right honourable friend the Paymaster General shall have responsibility for its day-to-day management and supervision with the support of a small central unit. This inner cities initiative will complement and not replace existing Government programmes.

I hope the House will welcome a bold experiment in concentrating all available efforts and resources in a joint way on the improvement of job expectations and the quality of life of the residents of these small inner-city areas.

My Lords, that is the Statement.

Lord Stoddart of Swindon: My Lords, I thank the noble Lord for making his Statement this afternoon. However, the measures contained in it do not in any way meet the urgent need to tackle the desperate and growing problem of unemployment, particularly in respect of those who have been out of work for over a year. It is surprising that the response to last month's shocking unemployment figures should be that Statement and the modest measures proposed. I do not think that the measures are bold; they are very modest indeed.

Naturally, we welcome any proposals, however modest, that will assist in overcoming mass unemployment, particularly in the inner cities. But does the noble Lord believe that so small a sum as £8 million will have much effect? Can he say how many additional jobs are likely to be created by the initiative? Can he relate that £8 million to the loss of hundreds of millions of pounds to the urban aid programme as a result of Government cuts, and also to the £1,487 million which has been lost in rate support grant by the areas mentioned since 1979? In relation to those figures £8 million is a flea bite.

The Statement talks of providing a better physical environment. What does that mean? What kind of better physical environment is envisaged? Are more houses to be built in those areas; if so, who is to provide them? Will it be the local authorities, the private sector or a partnership among the local authorities, the housing associations and the private sector?

Can the noble Lord also tell us why the areas mentioned have been chosen? Does that mean that the Government now accept that there is a connection between unemployment and inner-city riots? Bearing in mind his reference to the need particularly to assist black people, what is now the Government's view on contract compliance? What discussions have taken place with the interested parties—the local authorities, the voluntary organisations and the private sector, all of whom will be important if the initiative is to succeed? The Statement refers to city action schemes, but since they were formed, we have heard little about them. What success have they had so far?

I do not want to be entirely critical. As I said, we welcome the proposals, modest though they are. I am glad to find from the Statement that the Government have apparently been converted to the need for planning and co-ordination if we are to solve the problems of the inner cities. That is something that the Labour Party has been urging on the Government for a long time. It is pleasing that at least in that respect they are now adopting the advice that the Opposition have been giving them over a long period.

Finally, may I ask whether we can expect further Statements on measures to deal with mass unemployment, particularly in response to the recommendations of the House of Commons Select Committee on Employment which reported on special employment measures and the long-term unemployed? It recommended that the Government should spend £3,300 million on additional employment measures. Following this modest Statement, will we be getting a bold Statement, perhaps in line with the Select Committee recommendations, in a short time?

Baroness Seear: My Lords, we on these Benches also wish to thank the Minister for making the Statement in your Lordships' House. It is gratifying to have the opportunity on these occasions to get at the Minister with direct responsibility. We should like to see recognition of the need for a change in the Government's macro-economic policy. We have long been urging that what is required is carefully targeted expenditure on infrastructure and particularly on housing and housing repairs. In the areas with which the Statement deals, housing and housing repair developments would be particularly welcome and would make a substantial contribution both to the environment and to job opportunities. Having said that, one recognises that this is a new initiative, modest but nonetheless useful.

All of us who have been connected in any way with the many local experiments to try to bring about improvements in those areas—and there has been a great deal of local initiative of one kind or another—are aware that there is confusion in many parts because people do not know to which Government departments to go, as there has been a considerable amount of overlapping. For the organisations that are working at grass-roots level the bureaucracy of trying to get at the available resources has hindered progress. If the Statement means that the

red tape will be cut and the relationships among departments will be co-ordinated by the Secretary of State's unit in such a way that people locally do not have to do the work themselves but can go direct to one place to get the information and support that they need, that would be a very great help indeed and a development which we should very much welcome.

In that connection, I wonder whether the noble Lord can explain this point a little more. The Statement says that it is hoped that local government programmes will run alonside those of the unit. Is the unit to do actual work or is it to co-ordinate, to assist and to cut red tape? It would be unfortunate if there were another set of initiatives being taken from the centre, running in parallel. I think that it is paragraph 8, but without my spectacles I cannot read it properly. Will the noble Lord just explain what the term "alongside" means?

I turn now to more detailed points. Will the premium payments for specially difficult groups under both YTS and the community programmes be extended in those areas? As the Secretary of State will realise, there is a great deal of anxiety in voluntary bodies working in these areas and throughout the country that the premium payments for difficult-to-employ people are not going to be sufficient. The voluntary bodies that have been dealing with schemes for difficult-to-place people will in some cases have to give up their efforts because they believe that the money forthcoming will not be sufficient. Is the Secretary of State saying that in these areas these special payments and the support for the voluntary bodies' working will be at least as much as it has been in the past and perhaps enhanced, rather than, as the voluntary bodies fear, reduced?

I should also like to ask the Secretary of State whether this also means that, when there is this emphasis on training and where the community programme is being carried out under the MSC, the opportunity to use the community programme for training on a much more extensive scale than has been possible up to now is part of what is planned for the aid areas. Some of us believe that the community programme, rightly handled, could be extremely useful instrument for training and replacing in employment the long term unemployed, but that the present provisions in the community programme do not make this practicable in a great many areas. I should also like to ask the noble Lord whether there is any thought of experimenting with contract compliance, with the emphasis being laid on the needs of the ethnic minorities.

Lord Young of Graffham: My Lords, I am grateful indeed to the noble Lord, Lord Stoddart. The noble Lord said, I believe, that he was not being particularly critical. If that was not being particularly critical, I should not like to be in the House when he is being critical. May I say at the outset that this is not in any way a response to the unemployment figures, last month's or at any time. The problem of unemployment is at the forefront of the Government's mind. This is a response to conditions that have been perceived for many years in the inner cities. The noble Lord opposite makes the mistake, as many who sit on the Opposition Benches do, of confusing quantity with quality. It is not a matter of the amount of money that we have spent. Everyone in your Lordships' House should know how much we have spent over the past decade or two on the inner cities. Nor is it money spent to improve the physical environment. All too often, we seem to have spent money to improve the physical environment without it having any particular effect on the inhabitants within that improved environment. This is a dedicated attempt by government departments working together to restore to the inner city that which made the inner city great in the beginning, which was a sense of enterprise, of business and of work. It is no good trying to improve the environment without actually bringing to those who live within that improved environment a sense of belonging to our society, playing their part in our world and having pride in working for themselves and working for others. That is the purpose of this initiative.

Indeed, it is not just about the £8 million. In these small areas, in which some 300,000 souls live, the Government spend over £70 million on a variety of different programmes. It is a way of getting together. I am afraid that I cannot rise to the bait this afternoon of discussing or making an immediate response to the Select Commitee of another place about discussions or solutions for dealing with long term unemployment save to say that the net additional cost, I believe, was some £3.3 billion, and the gross cost some £5.5 billion. I suspect that those of us who are concerned with the steady growth in the community programme, of the problems that we see in finding the projects to increase it by a modest 10,000 places a month—modest in its terms but in fact a very real increase of 10,000 a month—were slightly appalled at the thought of having to find 750,000 places or some other figure. I have no doubt however that we shall be able to come back with a considered response to that in due course.

3.45 p.m.

The noble Baroness, Lady Seear, is part right and part wrong—part wrong, I regret to say, because it is not the infrastructure that these particular areas are vitally concerned with. Of course, the infrastructure is important. It does not do the inhabitants of these areas much good to see re-enveloping schemes carried out, in which outside contractors are brought in, the work is done and the outside contractors go away while the inhabitants stand by and watch. What I hope we can see in this is a way in which we can put together programmes and let the inhabitants of the areas share in the work being done, maybe even carry it out, and, maybe—yes, my Lords, cut through the red tape—look at some of the rules and perhaps experiment to see whether we can adapt the community programme not so much for training alone but for ways in which we can start people off in their own jobs, and also perhaps look at the community benefit rules and at premium places within YTS, and do so in areas where there are particular problems.

This is not a programme that is directed solely at ethnic minorities. One area at least has very few of those who come within the description of ethnic minority communities. This is a programme that looks towards better co-ordination among all government departments in respect of a problem that

[LORD YOUNG OF GRAFFHAM.]
is real and longstanding—a problem that other government programmes, instituted by those who sit on all sides of the House, have not succeeded in making great progress in tackling.

Lord Hatch of Lusby: My Lords, can the noble Lord answer two simple questions? In the first place, he says in his Statement that these new initiatives are to consolidate already existing ventures. Can he say to what extent his already existing ventures in the inner cities have reduced unemployment in those areas since they were begun? Secondly, we have been told on this side of the House consistently by a whole series of Ministers from the Government Front Bench that this Government do not believe that they can create jobs. Has he changed his mind? Is he telling the House this afternoon that these new ventures which the Government have cobbled together are, or are not, going to create any new jobs and reduce unemployment within the inner city areas?

Lord Young of Graffham: My Lords, I normally fear simple questions because they often prove hard to answer—but not on this occasion. If Government programmes had created jobs in the inner cities, I suspect that we would not have the need for this experiment. The difficulty that we have—it is one faced by all governments—is that many programmes seem by their very nature to avoid the very worst areas of deprivation in our cities. What these programmes are doing is to seek out and confine themselves to these areas. That is what I hope we shall learn from a series of experiments and a series of models. The jobs that Government can directly create are jobs in the Inland Revenue and the VAT offices—not the sort of jobs that people normally think as being job creation. What the Government can do is to create a climate in which jobs can grow. As we have seen, we are creating more jobs than the rest of Europe put together. What we now want to do is to create jobs in these particular inner city areas and to see conditions in which these jobs can grow. These are areas in which many young people have not benefitted from 11 years of compulsory education. Far from it! They are areas in which many have not even come into the youth training scheme but have stayed outside the simple rules of society. These are the people we want to reach. I am sure that all in your Lordships' House will wish the experiment success if only for the sake of the inhabitants of these areas.

Lord Hunt: My Lords, I have noted that among the departments to be involved in this initiative and represented by Ministers, there is no mention of the DHSS. The Secretary of State will be aware that there are many existing locally-based and community-based schemes sponsored by and run by the local social services, which include elements of training—training for employment and other forms of training, particularly for young people. Can he explain why the DHSS is not to be involved and represented by Ministers in this initiative?

Lord Young of Graffham: Yes, my Lords, in these particular areas it was thought appropriate that we start with co-ordinating government departments, which had already begun. They are my own department, Education and Science, Trade and Industry, the Environment, and the Home Office. I have no doubt at all that if any other government departments are involved co-operation will not only be sought but be given.

Lord Plummer of St. Marylebone: My Lords, I should have thought there would be a warm welcome for improving the physical environment of the people living in Notting Hill and north Peckham. But there are other vast areas of London where the housing conditions are deteriorating rapidly because the houses there were all built about 120 years ago. From my own experience in dealing with these matters I should have thought a sum of £8 million would be just a drop in the ocean towards solving the problem which exists in the inner areas of London.

Can my noble friend say whether the measures which he has just announced are in addition to those which were previously announced by the Department of the Environment? If they are not, I fear that this programme will have very little effect on those areas beyond Notting Hill and north Peckham—and vast areas are involved. It is not just the ethnic minority who are living in bad housing conditions because of the deteriorating housing stock; it is also the indigenous Londoners who have lived here for generations who I think ought to be looked after as well.

What is needed here is a central organisation. I hope that this matter is not being dealt which piecemeal. Unless we can tacle it over the whole area by a central organisation—and I have to comment that the central organisation in London is going—I cannot see that the measures just announced will be anywhere near enough to tackle this enormous problem.

Lord Young of Graffham: My Lords, I am grateful to the noble Lord, Lord Plummer. May I say that if a central organisation was the answer—Londoners having had a central organisation for these many decades—surely there would not now be so many areas of central London to which he draws attention in need of urgent rebuilding. That is neither the answer nor the way. I thought I had made clear that within these areas the Government already contribute, through the programmes, the Manpower Services Commission, the Home Office and the Department of Environment, over £70 million, to which we are adding another £8 million merely for the purpose of co-ordinating and getting special schemes going. It is not the shortage of money that is the problem; it is the quality of that spend, not the quantity.

In small, particular areas—which are not confined to those with large ethnic minorities because there are some which do not really have any ethnic minority populations at all—we are endeavouring to demonstrate that it is possible to spend Government moneys better by co-ordinating Government spend with local authority spend and private sector spend. I hope that we shall learn from all of this how to begin to make a quick and permanent cure to the problems of living in the inner urban areas.

Lord Oram: My Lords, does the Minister recognise in the generally dismal record of recent years on inner cities that there has been one small but encouraging development; namely, the increase in the number of small co-operative businesses? I have in mind housing co-operative societies and small producer co-operatives in the service sector which have grown in number from some 200 five years ago to 1,000 now, employing in new jobs some 10,000 members of these co-operative societies in a distinct form of self-employment.

Will the Minister ensure that of the small funds which he has announced some part will go to the encouragement of this kind of small enterprise? If he agrees with that, will the Minister consider channelling those funds through local co-operative development agencies where they happen to coincide with the areas mentioned in his Statement?

Lord Young of Graffham: Yes, my Lords. I would willingly pay testament to the worth of the co-operative movement itself and to co-operatives in getting people to band together to form small businesses. However, these are not small amounts of money. We are talking about some £70 million or more, to which we have added a further £8 million, in areas in which we have some 300,000 people living. The programmes can be co-ordinated better, but they will, I hope, not result in people simply having employment for as long as the tap is turned on but in the end in businesses in which people will carry on when Government funds have come to an end. Indeed, that is the only way we can restore the inner city. Among the varieties of schemes which we shall set up, with the assistance of the private sector, local authorities and the world of education, I hope that there will be many co-operatives and that young people will learn the advantages of working together.

Lord Rochester: My Lords, following the question of the noble Lord, Lord Plummer, will the Secretary of State concede that deprivation is not confined to inner cities but is sometimes at its worst in housing estates which are at some distance from those inner cities?

Lord Young of Graffham: My Lords, I suspect that deprivation is often a state of mind as much as anything else. Much of our planning and much of the state of poor living conditions exist in areas far from the inner cities, but in areas of large housing estates. We in this country have a great deal to learn about our living conditions. We have, I believe, 27 per cent. of our housng owned by local authorities compared with 5 per cent. in the United States, and 3 per cent. in Germany. I am not sure that that size has contributed towards the removal of deprivation in our society.

Lord Scarman: My Lords, I welcome this initiative, perhaps because it is a belated although modest attempt to put into effect a recommendation made in a certain report which was published as recently as 1981. I ask one question of the noble Lord. Will this centrally co-ordinated effort, of which I strongly approve, pay particular attention not only to the direction of funds—which, whether they are modest or large, is a very important feature of any effort if it is to be successful—but to communication with the people who live in the inner cities?

There is the age gap of the young people who at the moment are very alienated. Will any attempt be made to discover what they want and what are their aspirations? In allocating the housing effort, will any effort be made to discover the design of houses that they want? In matters of education, will any effort be made to discover what are the minorities' feelings about our educational system? I suggest that unless this is done this effort, like so many other well-intentioned efforts, will fail.

Lord Young of Graffham: My Lords, I am very grateful to the noble and learned Lord, Lord Scarman, for his comments. I am glad to give him the assurances he seeks. The essential difference between this, and I suspect other, initiatives that have taken place is that, while there will be central co-ordination, it will be locally directed; while it is concerned with programmes, it is concerned much more with people. What I should like to see above all else in these programmes is a sense of ownership given to the local communities. We shall endeavour to bring community leaders and the inhabitants into the programmes. We shall pay great attention to all the lawful aspirations of the inhabitants so far as we can. Indeed, that is the only way, so far as I can see, that this programme will succeed.

Baroness Airey of Abingdon: My Lords, may I ask whether there are many schemes such as that of the YES organisation, which I think was started by Mr. Angus Ogilvy? This organisation is no charge on the Government and I believe is largely subscribed to by private people or firms. It is particularly for young people. I also believe that this has been expanded to Northern Ireland.

Lord Young of Graffham: My Lords, yes. I hope to be assiduous in going out to friends and acquaintances—I do not expect to have too many friends after this—in the private sector to ask them to contribute towards programmes such as YES and others which exist through business in the community, and which will, I hope, play a real role in helping to bring a sense of business enterprise and a sense of achievement to those who live in these areas.

Sex Discrimination Bill [H.L.]

3.59 p.m.

Lord Young of Graffham: My Lords, I beg to introduce a Bill to make new provision instead of Section 6(3) of the Sex Discrimination Act 1975; to amend Section 77 of that Act; to provide for the removal of certain restrictions applying to the working hours and other working conditions of women; and to repeal the Baking Industry (Hours of Work) Act 1954.

I beg to move that this Bill be now read a first time.

Moved, That the Bill be now read a first time. —(*Lord Young of Graffham.*)

On Question, Bill read a first time, and to be printed.

Agricultural Holdings Bill [H.L.]

Read a third time, and passed, and sent to the Commons.

Shops Bill [H.L.]

4 p.m.

The Parliamentary Under-Secretary of State, Home Office (Lord Glenarthur): My Lords, I beg to move that this Report be now received.

Moved, That the Report be now received.—(*Lord Glenarthur*.)

Lord Simon of Glaisdale: My Lords, before we proceed I should like to ask whether page 8 of the Marshalled List is correct and, if it is not correct, how it should be dealt with. The reference to "After Clause 1" at the top of the page must be wrong because it is dealing with the continuation of a clause to be inserted after Clause 2. However, there then follows Amendment No. 13, which I read as being after Clause 2. I do not know whether any of the noble Lords who have put their names to the amendment are present. The noble Lord, Lord McCarthy, was here a moment ago. Amendment No. 14 reads as if it ought to come after Clause 1. Amendment No. 15 reads as if it ought to come after Clause 2. There must be something wrong on this page, and I should be grateful if I could be told how it can be most conveniently dealt with.

Lord Glenarthur: My Lords, I can assure the noble and learned Lord that there is one mistake, and that occurs at the top of page 8, where it says, "After Clause 1". It certainly should read, "After Clause 2". As regards Amendment No. 14, which in the view of the noble and learned Lord should come after Clause 1, and Amendment No. 15, which in his view ought to come after Clause 2, I cannot give an answer immediately, but I shall endeavour to let the noble and learned Lord know shortly.

Lord Simon of Glaisdale: My Lords, with the leave of the House, perhaps the noble Lord, Lord Mishcon, is entitled to express an opinion on that matter as he is one of the signatories to Amendment No. 14.

Lord Mishcon: My Lords, the noble and learned Lord seems to take great delight in putting me in a position of intense embarrassment. May I say that he has succeeded!

Lord Campbell of Alloway: My Lords, I should like to raise a point on the order of the amendments. Surely there is a mistake. Amendment No. 2, according to the original list, was to appear before Clause 1. In the present Marshalled List it appears after Clause 1. It is inconsistent and lies in conflict with Clause 1, and, therefore, surely it should be taken before Clause 1, because otherwise it will not be possible to consider the matter logically.

Lord Glenarthur: My Lords, I am grateful to my noble friend for his observations. Indeed, he was kind enough to give me an indication that he wished to raise the matter. I have looked into it, and I am assured by those who are responsible for marshalling the amendments that the matter has been investigated and the Marshalled List is in fact perfectly correct. I hope that that satisfies my noble friend. I could obtain more information on the matter if necessary, but I believe it to be in order.

On Question, Motion agreed to. Report received.

Clause 1 [*Removal of restrictions on opening hours and Sunday trading*]:

Lord Lloyd of Kilgerran moved Amendment No. 1:

Page 1, line 5, at beginning insert ("For an experimental period of three years")

The noble Lord said: My Lords, the object of my Amendment No. 1 is to allow the Bill for deregulating trading on Sundays to go ahead as suggested in the Bill, but only for an initial period of three years. After that period the matter should be brought back to Parliament for Parliament to consider, in the light of the experimental period of three years of operation, whether or not there are any matters which in the public interest require some changes. There has been a recent precedent for such a course——

Lord Sandford: My Lords, I wonder whether I may interrupt the noble Lord for a moment? Would I be right in thinking that, in speaking to Amendment No. 1, he is also speaking to Amendment Nos. 9 and 16 as well? It would be helpful to know whether or not that is so.

Lord Lloyd of Kilgerran: My Lords, I am very grateful for the noble Lord's intervention, and, with the leave of the House, I shall speak also to Amendments Nos. 9 and 16, as they contain the same words.

Amendment No. 9: Clause 2, page 1, line 9, at beginning insert ("For an experimental period of three years")

Amendment No. 16: Clause 3, page 2, line 1, at beginning insert ("For an experimental period of three years")

As I was saying, there is a recent precedent for this kind of procedure and that occurred in the Bill, which is now an Act, for the compulsory wearing of seat belts. Seven years ago there was great controversy as to whether or not the wearing of seat belts should be made compulsory. The Bill was brought in, and it was agreed that seat belts should be made compulsory for an experimental period of three years, after which time the matter would be brought back to Parliament. As your Lordships know, that happened a few weeks ago, when the Act was continued after a very interesting and helpful debate. Similarly, at present there is no doubt that there is a cleavage of opinion as to whether it is right to have total de-regulation of trading on Sundays.

I should like briefly to remind your Lordships of the apprehensions which were so cogently put to your Lordships by the noble Lord, Lord Murray of Epping Forest, and the noble Baroness, Lady Turner, with all their great experience in trade union and industrial relations matters. We have also heard splendid speeches from the noble Lord, Lord Graham of Edmonton, based on his great experience in local

Mr. Peter Bruinvels (Leicester, East): Is my right hon. Friend aware that last night the new General Synod met and voted on a free vote by 427 to 6 against Sunday trading and asked the Government not to push a three-line Whip on the debate on Sunday trading? Will my right hon. Friend take account of that when he announces the business some time in the future? Will he provide time for a debate on the Housing (Homeless Persons) Act 1977? A constituent in Leicester has suddenly brought seven members of the ethnic community to the city, resulting in ratepayers having to pay the cost of putting those people up in a three-star hotel at £186 a night. Should not this matter be corrected and the House have an opportunity to debate it?

Mr. Biffen: Procedural arrangements in the debate on Sunday trading are entirely a matter for my right hon. Friend the Patronage Secretary. As he is not here, I shall ensure that he knows the views not only of my hon. Friend but of the Church of England Synod.

My hon. Friend in his second point has raised a matter that is within the experience of many hon. Members from all parts of the United Kingdom where people are homeless as he described. I cannot offer a formal debate in Government time, but I wish my hon. Friend well in any efforts he may make to raise the matter on the Adjournment.

Mr. Speaker: Statement—Mr. Kenneth Clarke.

Mr. Alfred Dubs (Battersea): On a point of order, Mr. Speaker.

Mr. Speaker: Does it arise immediately out of the business statement?

Mr. Dubs: It arises out of questions, Mr. Speaker.

Mr. Speaker: It is a little late, but I shall take it.

Mr. Dubs: I am sorry, Mr. Speaker. You told my hon. Friend the Member for Bolsover (Mr. Skinner) that he could not make a statement.

Mr. Speaker: I did. Just to clear this point for every hon. Member, I take points of order arising out of questions immediately after Question Time and other points of order in their usual place, at the end of statements. As the hon. Member for Battersea (Mr. Dubs) has a question arising out of questions, I think that he should have raised it at the end of Question Time. I shall take his point of order now, as I said I would.

Mr. Dubs: I must have misunderstood you, Mr. Speaker. I thought that you asked my hon. Friend the Member for Bolsover not to ask a question after Question Time.

Mr. Speaker: I did, because it did not arise out of questions.

Mr. Dubs: My point of order is this: in answer to a question about Crown immunity, the Prime Minister said that the Minister for Health would make a statement later today. Do you know of any such statement, Mr. Speaker?

Mr. Speaker: No; I regret to say that I do not.

Inner Cities

4.10 pm

The Paymaster General and Minister for Employment (Mr. Kenneth Clarke): With permission, Mr. Speaker, I should like to make a statement on Government help to people living in inner city areas.

We are all only too well aware that people who live in many inner areas of our cities suffer from a wide range of long standing problems. The Government have increased the amount of central Government money spent on employment and training programmes, urban regeneration and industrial assistance in these areas. We have taken a number of measures, including setting up last year city action teams to co-ordinate and target Government effort in the seven inner city partnership areas.

In order to complement and build on that existing work we have now decided to try out a new approach to the task by intensifying and bringing together the efforts of Government Departments, local government, the private sector and the local community in eight small inner city areas.

This initiative is a further step to improve the targeting and enhance the benefit to local people of the money channelled through existing central Government programmes. They include the employment and training programmes of the MSC, the Department of Trade and Industry's programme of regional and industrial assistance, the Department of the Environment's urban programme, and the Home Office programmes of black business support and grants to support staffing of services to ethnic minority populations.

Within the chosen areas we shall try out new approaches, particularly on training provision, and employment or self-employment opportunities for local residents. That will be tackled through projects and activities of wider but direct benefit to the residents of the areas concerned and their environment. We shall seek to stimulate enterprise and provide a stronger base for the local economy. We shall give special attention to the problems of young people from ethnic minorities where they are particularly disadvantaged.

To test our approach we have selected eight areas which are diverse in their character but whose residents all share problems of deprivation and lack of opportunities. They are not necessarily the eight most deprived areas in our cities, but the people who live in them need more employment opportunities, support for their local business economy, and a better physical environment. We shall introduce our new initiatives in Notting Hill and north Peckham in London, the Chapeltown area of Leeds, north central Middlesbrough, the Highfields area of Leicester, Moss Side in Manchester, St. Paul's in Bristol and Handsworth in Birmingham.

We shall be establishing small task forces in each of those areas. They will work with the local authorities and local community and voluntary organisations. They will quickly seek to attract private sector participation.

We shall seek early discussions with the local authorities concerned about the details of this initiative. We hope to persuade the local authorities to join us and use their own programmes alongside our own in a concentrated and targeted effort to improve work prospects and the quality of life in those areas.

Mr. Biffen: If my hon. Friend has a particular example that will illustrate the more general problem, he may do us all a good service by having a debate on the Adjournment.

Mr. Toby Lloyd (Stretford): I note the right hon. Gentleman's comments to my right hon. Friend the Leader of the Opposition about a debate on fire services in metropolitan areas. Does the right hon. Gentleman recognise the great anxiety about reduced resources for the fire services? There will be a serious danger to life because the standard of fire cover will be reduced. Will the right hon. Gentleman guarantee that there will be an adequate debate on the issue so that it can be properly discussed?

Mr. Biffen: I am sure that the hon. Gentleman will accept that I do not concur with the premise to his question, but I shall certainly consider his point.

Sir John Farr (Harborough): Will there be an opportunity at an early date for the House to discuss the value of the Select Committee system as it is at present set up? It is of particular interest to my right hon. Friend and the House that some Select Committees, such as the Select Committee on Defence, seem all the time to deal with matters that are now past history, such as Westland, when the vast majority of the people want the Government to get on with the job of running the country.

Mr. Biffen: The departmental Select Committee system is of fairly recent origin. I should have thought that, on the whole, we are acquiring experience of its utility to the House and that there are many advantages in the way it works. I note that that view would not necessarily be universally endorsed.

Mr. Alfred Dubs (Battersea): Further to the earlier question on the establishment of an Anglo-Irish parliamentary tier, can the right hon. Gentleman say whether anything will happen in that respect?

Mr. Biffen: Under the terms of the Anglo-Irish agreement, elaboration is necessary, involving the Parliaments of the United Kingdom and of the Irish Republic. I have no reason to doubt that, in due time, details will emerge.

Mr. Nicholas Winterton (Macclesfield): Does my right hon. Friend accept that the House has spent more than an abnormal amount of time discussing the employment of 3,000-plus people at Westland and that many people will welcome his announcement today about a debate on the multi-fibre arrangement, which involves the employment of more than 500,000 people? Will my right hon. Friend give an assurance that the House will have an opportunity to discuss the proposals contained in any ultimate arrangement between the European Community and the United Kingdom before that arrangement is agreed within the EEC?

Mr. Biffen: I note what my hon. Friend says about Westland, but I suspect that, when we are a little more distant from and have possibly a little more balance on these matters, we shall recognise that Parliament was wise to spend the amount of time it has on this issue. I shall draw my hon. Friend's comments on the multi-fibre arrangement to the attention of my right hon. Friend the Secretary of State for Trade and Industry. I think that my hon. Friend will understand that, for the moment, we should make the best use we can of the time available next week.

Mr. John Ryman (Blyth Valley): The Leader of the House will have seen with pleasure, and relief, that the independent colliery review procedure has decided to keep open Bates pit in Blyth in my constituency, despite vehement and vicious opposition from the NCB. In the light of that decision, which is welcomed by the coal mining community in Northumberland, will the right hon. Gentleman have a word with the chairman of the NCB so that he immediately says, perhaps with the agreement of the Secretary of State for Energy, that this decision is accepted by the NCB? That will allay the anxiety that still persists in the north-east coalfield.

Mr. Biffen: I note the decision of the colliery review board. I was wondering whether the hon. Gentleman and I might meet up to have a drink to celebrate such an occasion, unless that were to prove too embarrassing to him, either socially or politically. As to the wider issue involving the NCB chairman, I shall refer that matter to my right hon. Friend the Secretary of State for Energy.

Mr. Jonathan Aitken (Thanet, South): Does my right hon. Friend recall that the Government were criticised by many of their friends for the apparently undue haste with which they assessed the complicated bids for the Channel tunnel project? Is my right hon. Friend aware that it will seem somewhat insensitive, less than three working days after the White Paper has been received by the Kent local authorities, to compound those sins by rushing ahead yet again to have a debate so soon on the White Paper? Is there not a feeling that this reckless speed means that the Government have something to hide?

Mr. Biffen: I understand my hon. Friend's point. I assure him that there is no question of anything being hidden. It is a matter of whether it would be appropriate for the House to have the chance to have a debate before the treaty is signed. I take note of my hon. Friend's comments, but I must tell him that I see little likelihood of that item of business being dropped from next week's programme.

Mr. Archy Kirkwood (Roxburgh and Berwickshire): Now that the European Commission has formally adopted proposals for next year's farm price review, which would have disastrous effects on the beef and cereal support systems, especially north of the border, will the right hon. Gentleman consult the Minister of Agriculture, Fisheries and Food about an early statement and debate before the Council of Ministers meets to make a decision?

Mr. Biffen: I note and endorse the hon. Gentleman's comments on the European Commission's proposals. I shall of course refer those comments to my right hon. Friend the Minister of Agriculture, Fisheries and Food.

Mr. Andrew MacKay (Berkshire, East): As it now seems clear that the Opposition have no desire to initiate a debate in Opposition time on the events at News International and as members of the electricians union are bullied and intimidated when they try to go to work, may we have an early debate in Government time on this subject?

Mr. Biffen: My hon. Friend has identified a matter of signal importance to the development of the United Kingdom's economy in what is happening at Wapping. I cannot guarantee a debate in the near future in Government time but, clearly, I shall keep this matter under consideration.

Large sums are already available to the chosen areas under existing Government programmes, but, in order to help the initiative get off the ground, the Government will be supplementing the sums with £8 million of additional money of which £3 million will be found from within my Department's existing provision and £5 million will be found from the Reserve.

The initiative will be led by a team of Ministers drawn from the Departments of Employment, Education and Science, Trade and Industry, Environment and the Home Office. My right hon. and noble Friend the Secretary of State for Employment will have overall responsibility for the co-ordination of the initiative. I shall have responsibility for its day-to-day management and supervision with the support of a small central unit. This inner cities initiative will complement and not replace existing Government programmes.

I hope that the House will welcome a bold experiment in concentrating all available efforts and resources in a joint way on the improvement of job expectations and the quality of life of the residents of those small inner city areas.

Mr. John Prescott (Kingston upon Hull, East): That is a mouse of a statement compared with the scale of the problem that our inner cities face. There is little new in the statement to encourage our employed inhabitants in our declining inner city areas. It is a measure in line with the policy of the Secretary of State for Employment to improve the Government's image on employment for which over £1 million is being given to an advertising agency. The measure is designed solely to counter the overwhelming impression held by 3·4 million unemployment claimants—the real level is nearer 5 million—that it is being used to improve the Government's image and to show that they are doing something about unemployment when people realise that they do not care a damn about mass unemployment.

The statement confirms the victory of the Secretary of State for Employment over the management of such programmes and the downgrading of the Secretary of State for the Environment who was in charge of the city action programme of which we have heard little. It is a game of musical chairs for which the only new resources are £5 million — a kind of transfer fee for the change of chairmanship.

I can at least welcome the fact that the statement recognises the problems of our inner city areas and the need to co-ordinate—why do we not call it planning?—and use public funds to create jobs. That is Labour's programme for returning our people to work.

Will the Minister confirm that those new resources, if we can call them that, of £5 million will not begin to replace the 28 per cent. cut in real terms since 1981 of inner city grants and the losses of rate support grant in the years that he mentioned in the statement which amount to almost £1·7 billion? Those are in addition to the cuts of 70 per cent. in the housing programmes. All that should be compared with the £5 million that he offers the unemployed in those areas.

Does the Minister accept that the statement implies that there is a connection between social disorders and race riots and the extraordinarily high rates of unemployment among the ethnic minorities in those areas? Will the policies advocated earlier in the year by the Home Office —contract compliance and discrimination to provide more training places and jobs for the ethnic minorities in those areas—be pursued by the Government?

How many jobs are likely to be created by that new £5 million, and what criteria led the Minister to choose those areas? Does the Minister accept that his statement that the Government will work with local authorities will be seen as a major change in the Government's attitude, if they were to carry it out? The Government have done more to damage local democracy and reduce local democratic accountability than any other Government.

The statement says that the Minister intends to "persuade" local authorities. That is further proof that the statement is to do with a panicking central Government trying to improve their image when doing nothing to reduce unemployment levels created and deliberately maintained by Government policy?

Mr. Clarke: True to form, the hon. Member for Kingston upon Hull, East (Mr. Prescott) has gone straight into knock about politics and completely ignored the substance of the statement to which he is meant to be addressing himself.

The announcement that the Government have made today will be taken much more seriously in Peckham, Chapeltown, Highfields and the other places that I named. The essential part that the hon. Gentleman has missed is that the new initiative will go alongside all the other initiatives, policies and expenditure of this Government in all their Departments. The urban programme administered by my right hon. Friend the Secretary of State for the Environment has trebled in money terms and doubled in real terms compared with expenditure when the Labour Government were in power. Spending on employment and training measures through the MSC has doubled since we have been in power. A great deal of that expenditure already goes into those inner city areas. We estimate, as best we can, that £670 million of central Government money goes into inner city areas on environmental, dereliction and employment measures alone.

Within those eight small areas, we shall see what better targeting and concentration of effort can produce. We shall get all the agencies of central Government, local government and the local private sector to work together to produce results.

The new money, in addition to at least £75 million going into those areas under central Government programmes, amounts to £8 million only. We are talking about small areas of cities — Peckham, Chapeltown, Handsworth—with a total population in all of them of about 300,000. I have to tell the hon. Gentleman that £1 million in each of those areas over and above the central Government money already going in, which we are going to target more directly, will have a most significant effect. The hon. Gentleman was misled by the impetuous barracking of those behind him who misunderstood what I was saying. He was quite wrong to seize on that point and to stress it.

The hon. Gentleman talked about other matters, some of which have relevance to what we are talking about and others which do not. I do not think it helps in this area to draw the simplistic connection which he does between riots and employment. Indeed, it is an insult to the inhabitants of inner cities to believe that they react in criminal ways to the problems that they all face.

[Mr. Clarke]

The question of other ways in which we can improve in particular the position of ethnic minority youngsters who are at a disadvantage in the employment market was seriously considered by the Select Committee on Employment, to which I gave evidence yesterday. It is indeed true that there are various measures of positive action which can be taken to improve the job opportunities of those ethnic minorities. A large part of this initiative will be to try to build up black business skills and to give more management training and more opportunities for self-employment among ethnic minority communities. We intend to tackle the task much more seriously than the hon. Gentleman, who seems disposed to criticise it.

Sir Brandon Rhys Williams (Kensington): I reassure my right hon. and learned Friend that, in spite of the rather churlish reaction of the Opposition this afternoon, his statement will be extremely warmly welcomed by all of the many varied elements in the population in North Kensington. On a personal note I should like to say how glad I am that the increasingly urgent questions which I and other borough councillors have been pressing on Ministers, drawing attention to the special problems of Notting Hill, have borne fruit in this most imaginative response.

I wish to ask whether the implications of the new policy are that if prominent areas of derelict land or old structures in Kensington are likely to be dramatically changed, the borough council and bodies like the Kensington Society will be taken into full consultation and, indeed, whether the Member himself might also be consulted?

Mr. Clarke: We obviously hope to produce quite significant improvements in that part of the borough, represented by my hon. Friend, which is particularly deprived. A key part of our efforts is to involve as quickly as possible the local authority, the people who live in the deprived part of London which we are trying to help, Notting Hill, and certainly — most importantly — the Member of Parliament. As soon as we set up the task forces, we will get them on to the ground and in touch with the local people whom we are trying to benefit as rapidly as possible.

Mr. Richard Wainwright (Colne Valley): Will the Paymaster General accept the alliance's best wishes for the members of these eight small task forces, especially if they start by sparing hard-working voluntary workers in the inner cities their present interdepartmental paper chase, which is so frustrating to their work?

Can the Paymaster General explain to the House the conspicuous absence of any Treasury Minister from the managing team, bearing in mind that this downward spiral of deprivation is largely due to the application of false Treasury dogma which has now crumbled away under events? The modest sum of £8 million—or £5 million of new money—will very quickly need supplementing.

Lastly, why is there not one mention in the statement of housing accommodation or dwellings, since the right hon. and learned Gentleman knows very well that the inner cities desperately need more decent and appropriate housing?

Mr. Clarke: If we find evidence of interdepartmental paper chases, certainly that is one of the first things that we shall have to eliminate. Most importantly, we shall bring together the efforts of all central Government Departments even more closely in the areas concerned, which I think will be of benefit to the residents in particular.

We are obviously not going into the whole business of housing allocation and housing policies in these small areas. However, it is certainly right that in all these areas there is a great need for further improvement in the environment, which includes improvement in living conditions. We wish to continue to improve the environmental setting in a way which benefits local people by providing additional employment, training and work experience for those who live there rather than just improving housing and the environment by employing contractors and people who live in other parts of the city.

Several Hon. Members *rose*——

Mr. Speaker: Order. I have to bear in mind that there is a further important statement after this and an important debate. I shall allow questions to continue until 4.45 pm, and then I think that we must move on.

Mr. Jonathan Sayeed (Bristol, East): Urban deprivation cannot be effectively tackled unless there is a cohesive inter-departmental approach. Is my right hon. and learned Friend aware that this statement will therefore be widely welcomed in Bristol in achieving a cohesive interdepartmental approach?

In carrying out these proposals, will my right hon. and learned Friend ensure that the teams ecourage self build projects along the lines on which I have written to him in the past?

Mr. Clarke: I am grateful for what my hon. Friend says. I think that his first point is extremely valid and important. I am, of course, aware of the extremely successful self build project which has been organised in Bristol. I look forward to getting to know it more closely and to seeing whether the example of Bristol can be spread to some of the other cities which we are discussing today.

Mr. Michael Foot (Blaenau Gwent): If the right hon. and learned Gentleman wants to prove that his proposals are not derisory, will he tell us, in the case of each area affected, how much money has been withdrawn in rate support grant compared with the new money, as he calls it, which he now proposes to offer? Will he also take into account that some of us expected that at least there would be a major proposal for assisting the inner city areas, which would be a proper thing to greet with enthusiasm? What about those areas which have had chronic unemployment since 1979 and earlier persisting all through that period which have had money taken away from them? When are we going to have new money to compensate for the cuts in regional aid and the cuts which have greatly added to our unemployment problems and all the other dangers which go with it?

Mr. Clarke: It is certainly the case that a number of local authorities in this initiative, because of the totality of their expenditure on all their programmes covering the entire territory for which they are responsible, have overspent and incurred penalties. There have been many debates in the House because of that. I should have thought, therefore, that those authorities and those who live in the areas would welcome the fact that, in those parts of the authorities which are most particularly deprived,

there is now this opportunity to see what can be done, to get more of the central Government programmes co-ordinated with the local government programmes, to add the new money which I have announced and to tackle the problems of these small parts of the authorities concerned.

Mr. Derek Spencer (Leicester, South): Is my right hon. and learned Friend aware that, when he visits Highfields in my constituency tomorrow night he will not find the same corrosive pessimism which disfigures the Opposition Benches? He will find energy and optimism; he will find many businesses which have been built and are run and owned by Asians; he will find a large sector of owner-occupation; and he will find many effective youth training schemes and everybody anxious and willing to co-operate with him.

Mr. Clarke: I am grateful to my hon. Friend. I am particularly grateful for the fact that, as he knows, by coincidence, he has pressed me to visit the Highfields area of Leicester and to meet at least 200 Moslem inhabitants tomorrow evening. That promises to be an extremely good start. I am most encouraged to hear of the reception that he believes I shall get there.

Mr. Stuart Bell (Middlesbrough): We in Middlesbrough are not interested in bold experiments; we are looking for real job creation. There are 11,401 unemployed claimants in Middlesbrough, and the £8 million over eight areas will represent a very meagre morsel of the national cake. That having been said, this modest initiative will be supported by Middlesbrough district council and Cleveland county council.

The Minister has referred to private sector participation. Is what he proposes dependent upon private sector participation, or will that be additional to the £8 million?

Mr. Clarke: I am grateful to the hon. Gentleman, because I know that Middlesbrough suffers from some of the most acute problems of unemployment in the British Isles. Indeed, Middlesbrough has the highest rate of unemployment in Great Britain outside Northern Ireland. For that reason, we have already tried a large number of things in the area, including starting up job clubs in our Department, and the Cleveland initiative of my right hon. Friend the Secretary of State for the Environment, and we are now adding to that with this experiment in a small area in the north of Middlesbrough with a further £1 million or thereabouts, coupled with a co-ordination of all our efforts and agreed targets. I agree with the hon. Gentleman that it is important to get together as quickly as possible with the council so that we can agree on the objectives which local government and central Government wish particularly to pursue to see whether, by concentrating our efforts on the worst of these problems and starting with the combined effect of the programmes, we can produce some visible improvements.

Mr. Michael Stern (Bristol, North-West): I join my hon. Friend the Member for Bristol, East (Mr. Sayeed) in saying that the whole of Bristol will welcome the initiative. When my right hon. and learned Friend evaluates the experiment—he has described it as such—will he take into account the recent evidence from Bristol city council that deprivation of the sort that is commonly referred to as inner-city deprivation also occurs on outer-city housing estates, such as Southmead and Lawrence Weston in my constituency? Will he look beyond the traditional inner city?

Mr. Clarke: I am sure that my hon. Friend is right. A great deal of deprivation exists on outer-city housing estates around many English and Scottish cities. One must choose where to experiment with new initiatives of this sort. The eight areas that we have chosen are not the eight most deprived inner-city areas, but they have the most diverse individual features. They are a good selection of deprived areas on which to try out the new initiative.

Mr. Robert Litherland (Manchester, Central): Is the Minister aware that all those in the inner city of Manchester will see the initiative as a pathetic cosmetic exercise which will do nothing to resolve the problems and as merely papering over the cracks? When will the Minister provide the real finance and facilities for local authorities that the Government have stolen from them?

Mr. Clarke: It is possible to make a significant change in any area the size of Moss Side through existing central Government programmes, plus the additional money that I have announced, if we have the good will of those involved in the locality. I trust that on reflection the hon. Gentleman and his council will discuss with us how best to apply these funds.

Mr. Richard Holt (Langbaurgh): Will my right hon. and learned Friend accept that I join the hon. Member for Middlesbrough (Mr. Bell) in saying that we shall work together with the district council, although I am banned from it, for the sake of the people of central Middlesbrough whom we both represent? I find £8 million a small sum. Over what period will it be spent? Would not my right hon. and learned Friend have done a better job if, instead of setting up a huge bureaucratic machine, he had found an ex-ICI director, given him £1 million and told him to get on with it?

Mr. Clarke: We are talking about the next financial year. The money, together with existing central Government programmes, will be best expended if we have the co-operation which appears to be forthcoming from Middlesbrough and Cleveland. Private sector participation is important, but my announcement is in no way conditional on private sector involvement. We shall seek to identify as quickly as possible local private sector interests which will be willing to participate and add their efforts. Given the good will in the north-east, we shall not have too much difficulty in finding suitable people to do something about the endemic problems of central and north Middlesbrough.

Mr. Ron Leighton (Newham, North-East): Is the Paymaster General aware that he demeans himself and his Department by making that derisory non-announcement, which is an insult to the House? Is he aware that the Government's chief contribution would be to restore the cuts in the urban programme and to give partnership status to the London borough of Newham, which would be worth £10 million, which is more than the total of £8 million? Is he aware that the Select Committee will investigate the employment aspect of these matters, and that we shall visit some provincial centres, including Liverpool this weekend? Does he think that that is constructive? Will he undertake to consider the Select Committee's comments? Will he denounce and rubbish the report when it is produced before he has even thought about it?

Mr. Clarke: I am sure that it is possible to make bids for various areas, and to say that they would benefit more

[Mr. Clarke]

from another initiative than the eight selected areas, but that is not a fruitful approach. We intend to see how we can change the position in those eight areas, which we have chosen precisely because of the diverse nature of their problems. As I told the hon. Gentleman yesterday, I welcome the fact that the Select Committee will visit deprived parts of our cities and make recommendations on the position of ethnic minorities in the labour market. I certainly undertake to consider its proposals with care.

I do not accept the hon. Gentleman's final strictures. The public and the House would have found it extraordinary if a Minister charged with responsibility for employment who is particularly concerned about the problems of the long-term unemployed, as my right hon. and noble Friend the Secretary of State and I have been during the past six months, could not have given a view yesterday about the proposition that £3·5 billion of public spending could somehow solve the problem. My views were restrained, but perfectly fair in the circumstances.

Mr. David Ashby (Leicestershire, North-West): Does my right hon. and learned Friend agree that the teams' emphasis must be on action and decision, and that Left-wing councils which often dominate deprived inner city areas should not be allowed to lessen the teams' impact, because inaction has often produced the present unhappy results? Does he further agree that that the way to deal with inner cities is to give the teams some clout to form something like the docklands board?

Mr. Clarke: I entirely agree with my hon. Friend that what we do, the action we agree upon, and how quickly we can apply ourselves to targeting all our efforts on the biggest problems regarding the environment and work opportunities, matter most, especially to those who live in those districts, whom we should have in mind. That is what we intend to do. The docklands development corporation and the docklands board in Liverpool are outstanding examples of the success that can be achieved in restoring and bringing new life to run-down areas. The docklands development corporation was particularly concerned with redeveloping a large area of derelict land, and with bringing it into fresh and productive use. Today we are talking about inner city areas, where there is not the same area of land to be developed, and about how we can target our efforts on fairly concentrated numbers of people.

Finally, I agree that the people who live in those areas will be interested in discussions about action, programmes and what we shall do, and will be dismayed by the knockabout knee-jerk reaction from the more Left-wing Opposition Members. I hope that we shall get that out of our systems today, so that, when we meet the people on the ground and the councils, they will be altogether more constructive.

Mr. Jeff Rooker (Birmingham, Perry Barr): Is the Minister aware that £5 million will do nicely for three of four acres of the Handsworth Lozells area of Birmingham, but at £15 a head it is not up to the task? So far as my constituents and I are aware, the contribution so far from the city action team is a big fat zero. If the Paymaster General is taking day-to-day charge of the matter, will he for once involve the elected Members of Parliament who represent the areas? While he also relies on the local authorities, will he ensure that he is not misled by many of the self-appointed windbags who maraud our inner cities as so-called community leaders and who have vested interests in ensuring that solutions are not forthcoming?

I offer the Paymaster General one piece of advice and a warning. My advice is that he and his Ministers, not civil servants, would do well to spend some time listening to what general practitioners who work in Handsworth Lozells have to say about their patients. My warning is that my constituents, whether old, young, black or white will not tolerate any more activity and resources, however meagre, unless they carry out the work. They are not prepared to continue to see busloads of outsiders coming to do work that they can do themselves.

Mr. Clarke: I agree with just about every point made by the hon. Member for Birmingham, Perry Barr (Mr. Rooker), despite the vehemence with which he has made them. I also think that most of the advice that he gave to me is well worth heeding. At present £7 million is being spent in Handsworth under the urban programme. My right hon. Friend the Secretary of State for the Environment has been closely involved in it. The Government intend to complement, not replace, this programme. We hope to work closely with the council, with the elected Member and with the responsible leaders of the local community. We shall listen most carefully to the population and those who know the population well. The general practitioners, cited by the hon. Member for Perry Barr, are an excellent example. I shall seek to follow his guidance and visit the part of Birmingham which he represents. I hope we shall achieve success with the scheme.

Several Hon. Members *rose*——

Mr. Speaker: Order. May I appeal for short questions, please.

Mr. Peter Thurnham (Bolton North-East): I welcome my right hon. and learned Friend's initiative, but will he say more about the role of the private sector? Does he accept that Opposition Members forget that the private sector can add substantially to the sums that are available?

Mr. Clarke: We shall seek to identify as quickly as possible some private sector partners and try to get partners in local industry to give us some assistance. One problem which we will find in many of these areas is that there is not a great deal of local private sector activity to give business training, provide the self-employment opportunities, and so on, that are required. We will also have to persuade some of the employers whose premises are in the outer city areas to recruit more actively from the inner city. We shall be seeking to do all that.

Mr. Frank Field (Birkenhead): I thank the Paymaster General for explaining why the Department of the Environment did not fight too hard to sponsor this programme. The question we face is unemployment. Can he tell us specifically how many new jobs will be created?

Mr. Clarke: The Department of the Environment is closely involved in this programme. I have to tell the hon. Gentleman that rumours that anybody was fighting to sponsor this programme are greatly exaggerated. For those who are intrigued to know why the Department of Employment is in the lead, the best explanation is that we have two members in the Cabinet whilst other

Departments have one. These initiatives cover all areas of Government activity, and all Departments will be committed to them.

Mr. Peter Bruinvels (Leicester, East): As the representative of the Charnwood area of Highfields, I welcome what my right hon. and learned Friend has announced today. The people of Leicester have felt forgotten under successive Labour Governments which had, but wasted, the opportunity to give sums of money to the inner cities. Is it not ironic that some of the people of Leicester still vote for the Labour party which does not want to give them any money today?

Mr. Clarke: I agree with my hon. Friend. I know Leicester and I know the Highfields area reasonably well. The area is not as well known to the general public as it might be compared with other slightly more fashionable areas. I agree that it is Leicester's turn, and I hope we will achieve something in that city.

Mr. Merlyn Rees (Morley and Leeds, South): I understand that Chapeltown in Leeds is in the constituency of the Secretary of State for Education and Science. Will the Paymaster General ask his right hon. Friend whether it would be better to supply more money for schools, housing and jobs? That is what is needed in Chapeltown. As desirable as this programme may be in a small way, it will not touch the problem.

Mr. Clarke: My hon. Friend the Minister of State, Department of Education and Science, will be a member of the team of Ministers directing efforts in Chapeltown and elsewhere. I agree that, in all those areas, one has to look at the combination of problems from which they suffer. We are not redirecting efforts from any other area. This initiative will supplement all the other considerable efforts that we are making in the inner cities.

Mr. Andrew Rowe (Mid-Kent): Is my right hon. and learned Friend aware that over the past 10 years the consistent experience of the Small Business Bureau has been that the two great problems for small business have been training in management skills and access to capital? Will my right hon. and learned Friend make sure that the problems, which are even worse for the ethnic minorities, are tackled with vigour? Will he perhaps make use of the loan guarantee schemes to reassure the banks, which seem incredibly reluctant to lend to would-be entrepreneurs from the ethnic minorities?

Mr. Clarke: We already have the Home Office black business initiatives. We have recently set up three enterprise agencies in areas with high concentrations of ethnic minorities to create business opportunities there. My hon. Friend the Parliamentary Under-Secretary of State for Employment has written to the banks to draw their attention to what we are trying to do. I shall certainly take on board the well-judged points of my hon. Friend in our efforts in these eight areas.

Mr. David Clelland (Tyne Bridge): Does the right hon. and learned Gentleman really believe that the initiative that he has announced today will be of any great benefit to the areas mentioned? Can he explain why the inner city areas of Newcastle and Gateshead are not on his list? Does it mean that we are in some way being penalised or neglected? Can the right hon. and learned Gentleman tell me how the latest Government initiative in my constituency, the city action teams—CATS as they are affectionately known—has improved the city since they came to the area? Is he aware that what we need in the inner city is not CATS but MICE—more inner city expenditure?

Mr. Clarke: None of the proposals that I have announced today is in any way at the expense of other parts of the country. It is a new initiative with additional resources for the eight small areas I have named. The city action teams will continue. They cover much larger areas, and they have achieved a great deal of success in co-ordinating the activities of central Government Departments across those areas. The team in Newcastle has been one of the most successful of the seven city action teams that we have. It does not help at all to seek to denigrate that team because we have chosen Middlesbrough, not Newcastle, for this initiative.

Mr. Geoff Lawler (Bradford, North): I congratulate my right hon. and learned Friend on his initiative. Can he explain why Bradford was originally on the short list but is not included in the statement today? There are authorities in the statement that have contributed, through their own council policy, to the economic decline from which they now suffer. Bradford has a long record of responsible government and constructive use of Government money.

Mr. Clarke: There are always invidious problems when choices have to be made. Our selection of Chapeltown in Leeds does not mean that we minimise the problems of Bradford. If one is trying out a new initiative of this kind, one makes the best progress if one forces oneself to make a selection of eight areas and tackles the problems on a manageable scale. Of course, we shall see how successful it is and consider the lessons for other areas.

Mr. Stuart Holland (Vauxhall): Is the Paymaster General prepared to admit that the paltry sums that he has offered must be less than what he first asked for from the Treasury? Would he care to say what those initial sums were and by how much he had to divide to arrive at the sum he has now offered?

Secondly, on mixed ventures between the public and the private sectors, is he aware that the Greater London Enterprise Board has created jobs for one tenth of the cost of the London Docklands Development Board. The sum involved is £1 million. If the scheme succeeds, will he offer each and every other similarly deprived ward in the country £1 million, including those in Lambeth?

Mr. Clarke: The last part of the question is somewhat incosistent with the first. The sum of money which is directed to such small areas is significant when one looks at the total population. It is no good getting up and airily waving that aside. I have heard these claims for the Greater London Enterprise Board before, but I find that they are not substantiated. I believe that that enterprise board has a patchy record in making any real contribution to the economy of London.

Mr. Tony Marlow (Northampton, North): One of the reasons why this statement is especially welcome on this side of the House is that we are all aware of the vast sums of money that have been spent already in some of these areas. Much of that money has been subsequently wasted. My right hon. and learned Friend is helping with the targeting of that money so that it is properly spent.

[Mr. Tony Marlow]

Will my right hon. and learned Friend and his colleagues address themselves to one of the worst problems—law and order. Will he look into the legacy of Lord Scarman which we discovered from the press today was responsible for two rapes and one murder in Brixton last summer?

Mr. Clarke: My hon. Friend has put his finger on one important matter that we are seeking to implement in this initiative. We will seek to target more effectively the large sums of money already expended in these areas. I shall draw my hon. Friend's second point to the attention of my right hon. Friend the Secretary of State for the Home Department — —[HON. MEMBERS: "Condemn it."] I believe my right hon. Friend the Secretary of State for the Home Department would defend the practices and experience of the police in the inner city areas. I do not think it is right for my hon. Friend to make a rather sweeping attack on the efforts and achievements of the police.

Mr. Eric Heffer (Liverpool, Walton): Is the right hon. and learned Gentleman aware that I am from an area where there is a task force. The proposals that the right hon. and learned Gentleman has put forward today on behalf of the Government will be regarded by my constituents as a sick joke. The right hon. and learned Gentleman must be aware that, despite the cosmetic activities of a task force, there has been no real creation of jobs in the area. Liverpool 8 has one of the highest levels of unemployment in the country. The constituency which covers Liverpool 8 is at the top of the league in unemployment. Is it not clear that the time has come for the Government to get down to the task of creating employment in those areas, and not to come forward with this ridiculous load of nonsense this afternoon?

Mr. Clarke: Merseyside has an urban development corporation working in the south docks, it had a garden festival and it has the Merseyside task force spending £21 million on Merseyside. Like most Ministers in this Government, I have visited it frequently. I would not minimise the grave problems in and around Merseyside, but I ask the hon. Gentleman not to have a blinkered view. If he ever has an opportunity to visit Middlesbrough, Highfields, Handsworth, Peckham or Notting Hill, he will find grave problems there as well. We are justified in trying out initiatives in those areas.

Mr. John Cartwright (Woolwich): Is the Paymaster General aware that his statement is long on good intentions but woefully short on financial commitment? Although it is right to use scarce public resources as a lever to attract more private investment, how are the task forces to avoid the mistakes of previous programmes which have merely created well-paid jobs for people commuting into the inner cities and precious few job opportunities for people who live in the inner-cities?

Mr. Clarke: The hon. Gentleman can assert that there is a lack of resources, but I have already said that £670 million-worth of Government money already goes to inner cities. We are talking about how to add to that. I believe that we have had an effect.

The hon. Gentleman's latter point was deeply relevant. It is no good having an inner city programme which spends money on buildings in the inner city if the employment generated is generated for building workers from the suburbs and further afield. Our main focus will be on benefiting residents — the people who live in the deprived areas—and seeing what we can do to improve their environment and job prospects.

Mr. Tony Lloyd (Stretford): If £1 million is a significant sum for my constituents in Moss Side, how much more significant are the millions of pounds that have been withdrawn from Moss Side as a result of the withdrawal of grants from the city of Manchester?

Mr. Clarke: Manchester council has got itself into penalty as a result of overspending on the totality of its programmes throughout the city. If the hon. Gentleman claims that that has caused difficulties in Moss Side, I should have thought that he would have welcomed our coming into Moss Side seeking his agreement and that of the local authority to target Government programmes better and to add money.

Mr. Laurie Pavitt (Brent, South): Why did the Government choose Notting Hill instead of the adjacent area of Kensal Rise and Harlesden, where inner city problems are more acute, as the Minister's colleague, the hon. Member for Ealing, Acton (Sir G. Young) knows? The housing problem is more acute there than in any other London borough and the concentration of ethnic minorities is higher than anywhere else in London. Was Notting Hill chosen because the right hon. and learned Gentleman wanted to help the borough and the Member of Parliament? Has my area been penalised because its Member of Parliament comes from this side of the House?

Mr. Clarke: The hon. Gentleman cannot assert that. If he looks at the list of Members of Parliament whose constituencies are affected by the proposals, he will find, not surprisingly, that far more of them come from his side of the House than mine. I assure the hon. Member that we selected the areas first and only then discovered the Members of Parliament we would have to approach and work with. I can understand his disappointment on the part of Kensal Green. We had to make a choice. I concede that he is probably on sounder ground wishing that we had included Kensal Green than following the line of some of his hon. Friends, including some who will benefit, who try to pretend that the scheme is of no earthly use in Moss Side.

Mr. Speaker: I call Mr. Secretary Channon to make a statement.

Several Hon. Members *rose*——

Mr. Speaker: Order. I think that I can almost anticipate the points of order. I have already allowed the statement to run on nearly 10 minutes more than I originally planned because I fully understand its importance. However, with the best will in the world, I cannot get everybody in on every statement. I will follow my usual pattern and ensure that those hon. Members who were not called today will get preference on another day.

Mr. Max Madden (Bradford, West): On a point of order, Mr. Speaker.

Mr. Speaker: I hope that the hon. Member is not challenging what I have just said.

Mr. Madden: Not in any way, Mr. Speaker. Does not this situation illustrate vividly the difficulties that you are

put in by the Secretary of State for Employment being a member of the House of Lords and therefore utterly unaccountable to the House and to hon. Members whose areas will not get one penny out of this meagre announcement? We are unable to ask why we have been left off the list. It is an outrage——

Mr. Speaker: Order. The hon. Gentleman knows that that is not a matter for me. The Paymaster General is, after all, a member of the Cabinet.

British Leyland

4.55 pm

The Secretary of State for Trade and Industry (Mr. Paul Channon): Yesterday, I informed the House that talks were at an advanced stage on the proposal for a merger between Land Rover—Leyland and the Bedford Commercial Vehicle subsidiary of General Motors. It is the Government's intention that, subject to satisfactory terms and conditions, and the receipt of firm undertakings from GM on its manufacturing and sourcing intentions, these negotiations should be brought to an early and successful conclusion.

I also confirmed that, following an approach by the Ford Motor Company, wide-ranging but, at this stage, exploratory discussions with the Austin Rover Group were in progress which might lead to a proposal for the merging of those businesses. I wish to inform the House at the earliest opportunity of the most recent developments affecting these discussions, in particular as regards Austin Rover.

The Government would have preferred to have waited until the exploratory talks had clarified the difficulties and opportunities a merger might have created and then taken a decision in principle, on the basis of a considered analysis, whether to pursue the possibility further. Speculation surrounding these exploratory talks has itself given rise to very great public concern and uncertainty. If that were to continue for an extended period, it could have seriously damaged the prospects for Austin Rover's business, its employees, its suppliers and its dealers. Nor would such a period of uncertainty have been helpful to many people associated in comparable ways with Ford's business in this country. Concern about these developments was expressed very clearly on both sides of the House in yesterday's debate. The Government have given full and immediate consideration to the situation so created. We have decided that the right way to end the uncertainty is to make it clear that the possibility of the sale of Austin Rover to Ford will not be pursued.

It is the Government's intention, with the agreement of the BL board, that negotiations should be pursued for the separate privatisation of Unipart by the early placement of shares with United Kingdom institutions.

Collaborative arrangements in the motor industry will become increasingly necessary and important. Austin Rover Group's successful relationship with Honda is an example of that. I hope that Ford and Austin Rover will also consider positively other opportunities for collaboration. I should like to pay tribute to Ford's contribution to the British economy through research and development, manufacturing and employment.

I hope that the Government's decision and the ending of uncertainty will leave Austin Rover free to devote its efforts to the further development and growth of its volume car business, building on creditable progress which has already been achieved.

Mr. John Smith (Monklands, East): Can the Secretary of State explain why he has managed to attract some members of the Cabinet to sit beside him today although he was signally left on his own with his unfortunate task yesterday?

As for the proposals for Land Rover-Leyland vehicles and Bedford, can the Secretary of State tell us what is the

cc Press
Q

Department of Employment
Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 5949
Switchboard 01-213 3000

Richard Broadbent Esq
Private Secretary to the
Chief Secretary
HM Treasury
Parliament Street
London SW1

6 February 1986

Dear Richard,

I attach a copy of the Statement which the Paymaster General intends to make in the House later today.

I am copying this letter and the statement to the Private Secretaries to the Home Secretary, the Secretaries of State for Environment, Education and Science, Trade and Industry, Health and Social Security, Scotland and Wales, Mr Waddington, Mr C Patten, Mr J Patten, Sir George Young, Mr Butcher, the Lord President, the Lord Privy Seal, and also Sir Robert Armstrong, and David Norgrove at No 10.

Yours sincerely,

Jacob Franklin

JACOB FRANKLIN
Principal Private Secretary

STATEMENT ON INNER CITIES

1. With permission, Mr Speaker, I would like to make a statement on Government help to people living in inner city areas.

2. We are all only too well aware that people who live in many inner areas of our cities suffer from a wide range of longstanding problems. The Government has increased the amount of central Government money spent on employment and training programmes, urban regeneration, and industrial assistance in these areas. We have taken a number of measures including setting up last year City Action Teams to co-ordinate and target Government effort in the seven inner city Partnership areas.

3. In order to complement and build on this existing work we have now decided to try out a new approach to the task by intensifying and bringing together the efforts of Government Departments, local Government, the private sector and the local community in eight small inner city areas.

4. This initiative is a further step to improve the targeting and enhance the benefit to local people of the money channelled through existing central Government programmes. They include the employment and training programmes of the MSC, the DTI's programme of regional and industrial assistance, the Department of the Environment's urban programme, and the Home Office programmes of Black Business Support and grants to support staffing of services to ethnic minority populations.

5. Within the chosen areas we shall try out new approaches, particularly on training provision, and employment or self-employment opportunities for local residents. This will be tackled through projects and activities of wider but direct benefit to the residents of the areas concerned and their

environment. We shall seek to stimulate enterprise and provide a stronger base for the local economy. We shall give special attention to the problems of young people from ethnic minorities where they are particularly disadvantaged.

6. To test our approach we have selected 8 areas which are diverse in their character but whose residents all share problems of deprivation and lack of opportunities. They are not necessarily the 8 most deprived areas in our cities, but the people who live in them need more employment opportunities, support for their local business economy, and a better physical environment. We shall introduce our new initiatives in Notting Hill and North Peckham in London, the Chapeltown area of Leeds, North Central Middlesbrough, the Highfields area of Leicester, Moss Side in Manchester, St Paul's in Bristol and Handsworth in Birmingham.

7. We shall be establishing small Task Forces in each of these areas. They will work with the local authorities, and local community and voluntary organisations. They will quickly seek to attract private sector participation.

8. We shall seek early discussions with the local authorities concerned about the details of this initiative. We hope to persuade the local authorities to join with us and use their own programmes alongside our own in a concentrated and targetted effort to improve work prospects and the quality of life in these areas.

9. Large sums are already available to the chosen areas under existing Government programmes. But in order to help the initative get off the ground the Government will be supplementing the sums with £8m of additional money of which £3m will be found from within my Department's existing provision and £5 will be found from the Reserve.

10. The initiative will be led by a team of Ministers drawn from the Departments of Employment, Education and Science, Trade and Industry, Environment, and the Home office. My Rt Hon and Noble Friend the Secretary of State for Employment will have overall responsibility for the co-ordination of this initiative. I shall have responsibility for its day to day management and supervision with the support of a small central unit. This inner cities initiative will complement and not replace existing Government programmes.

11. I hope the House will welcome a bold experiment in concentrating all available efforts and resources in a joint way on the improvement of job expectations and the quality of life of the residents of these small inter city areas.

Inner Cities

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

5 February 1986

Dear Jacob,

8 AREAS EXERCISE

Thank you for a copy of your letter of today enclosing a draft of tomorrow's Statement.

My Secretary of State thinks the Statement is on the right lines. The attached redraft reorders the text bringing up earlier the purpose of the new initiative. In paragraph 6 we refer specifically to pilot schemes to help explain what the local Task Forces will actually do. This reference is, of course, consistent with the conclusion of the MISC 104 meeting. We have rephrased the reference to "the Department of Environment's Housing and Urban Programmes" which now reads "Environment's urban initiatives". We must avoid unnecessarily alienating local organisations, particularly local authorities, by suggesting control over their spending programmes.

My Secretary of State does want to emphasise to the Paymaster General that the local authorities in the areas concerned will have determined their own Urban Programme priorities for next year and would resent strongly an attempt by another group to reorganise their priorities. They feel, with some justification, that they know far more about local problems than even a perceptive wholly good intentioned group descending from Whitehall. Persuasion will be a vital aspect of the success of this exercise.

Finally the redraft uses the phrase "coordination of this exercise" (paragraph 8) rather than "coordination of the work of Departments" because my Secretary of State believes that this is essential to avoid confusing people at local level.

I am copying this letter to David Norgrove (No 10), Richard Broadbent (Chief Secretary's Office), Stephen Boys Smith (Home Office), John Mogg (Department of Trade and Industry), Rob Smith (Department of Education and Science) and John Lambert in Lord Young's Office.

Yours ever

B H Leonard

B H LEONARD
Private Secretary

J Franklin Esq

STATEMENT

1. With permission, Mr Speaker, I would like to make a statement on Government help to people living in inner city areas.

2. We are all only too well aware that people who live in many inner areas of our cities suffer from a wide range of longstanding problems. The Government has increased the amount of central Government money spent on employment and training programmes, urban regeneration, and industrial assistance in these areas. We have taken a number of measures including setting up last year City Action Teams to co-ordinate and target Government effort in the 7 inner city Partnership areas.

3. The initiative I am announcing today is a further step to improve the targetting and enhance the benefit to local people of the money channelled through existing central Government programmes. Of particular importance are the employment and training programmes of the MSC, the DTI's programme of regional and industrial assistance, the Department of the Environment's urban initiatives, and the Home Office programmes of Black Business Support and grants to support staffing of services to ethnic minority populations.

4. We shall try out new approaches, particularly on training provision, and employment or self-employment opportunities. The emphasis will be on projects and activities of direct benefit to the residents of the areas concerned and their environment. We shall seek to stimulate enterprise and provide a stronger base for the local economy. We shall give special attention to the problems of young people from ethnic minorities where they are particularly disadvantaged.

5. To test our approach we have selected 8 areas which are diverse in their character but whose residents all share problems of deprivation and lack of opportunities. They are not necessarily the 8 most deprived areas in our cities, but the people who live in them need more employment opportunities, support for their local business economy, and a better physical environment. We shall introduce our new initiatives in Notting Hill, North Peckham, the Chapeltown area of Leeds, North Central Middlesbrough, the Highfields area of Leicester, Moss Side in Manchester, St Paul's in Bristol and Handsworth in Birmingham.

6. We shall be establishing small Task Forces in each of these areas to identify and help set up pilot schemes. They will work with the local authorities, and local community and voluntary organisations. They will seek to attract quickly private sector participation.

7. We shall seek early discussions with the local authorities concerned about the details of this initiative. We hope to persuade the local authorities to join with us and use their own programmes alongside our own in a concentrated and targetted effort to improve work prospects and the quality of life in these areas. In addition to the existing spending programmes in these areas the Government will be adding a further £8m of new money.

8. The initiative will be led by a team of Ministers drawn from the Departments of Employment, Education and Science, Trade and Industry, Environment, and the Home Office. My Rt Hon Friend the Secretary of State for Employment will have overall responsibility for the co-ordination of this exercise. I will have responsibility for day to day management and supervision of the initiative with the support of a small central unit. This Urban Employment initiative will complement and not replace existing Government programmes.

9. I hope the House will welcome a bold experiment in concentrating all available efforts and resources in a joint way on the improvement of job expectations and the quality of life of the residents of these small inner city areas.

CC TF
BG

SECRET

Department of Employment
Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 5949
Switchboard 01-213 3000

Richard Broadbent Esq
Private Secretary to the
Chief Secretary
HM Treasury
London SW1

5 February 1986

Dear Richard,

Further to the Paymaster General's letter of today's date to the Chief Secretary, I attach the draft statement that he would be prepared to make tomorrow subject to the agreement of his colleagues.

I would be grateful for comments by close of play today.

I am copying this letter to David Norgrove (No 10), Stephen Boys Smith (Home Office), Robin Young (Department of the Environment), John Mogg (Department of Trade and Industry), Rob Smith (Department of Education and Science) and John Lambert here, in Lord Young's office.

Yours ever,

Jacob Franklin

JACOB FRANKLIN
Principal Private Secretary

With permission, Mr Speaker, I would like to make a statement on Government help to people living in inner city areas.

We are all only too well aware that people who live in many inner areas of our cities suffer from a wide range of long-standing problems. The Government has been steadily increasing the amount of central Government money spent on employment and training programmes, urban redevelopment and industrial assitance in these areas. We have taken a number of new initiatives including the establishment last year of City Action Teams to co-ordinate and target the Government efforts in the seven local authority districts which are partnership areas.

We have now decided to try out a new method of intensifying and bringing together the efforts of all Government Departments, local Government and the local community in eight small areas within the inner cities of eight cities.

To test our approach we have selected eight areas which are deliberately diverse in their character but whose residents all share to some extent problems of deprivation and lack of opportunity. They are not necessarily the eight most deprived areas in British cities but the people who live in them need more employment opportunities, a better physical environment and support for their local business economy. We will introduce our new initiatives in Notting Hill, North Peckham, the Chapeltown area of Leeds, North Central Middlesbrough, the Highfields area of Leicester, Moss Side in Manchester, St Paul's in Bristol and Handsworth in Birmingham.

Our first aim will be to ensure the better targetting and more effective use for the actual residents of the money channelled through existing central Government programmes, notably the employment and training programmes of the MSC, the DTI's programme of regional and industrial assistance, the Department of Environment's housing and urban programmes and

the Home Office programmes of black business support and grants to support the staffing of services to populations of high ethnic minority concentrations. But over and above the large sums available to the chosen areas under these programmes, the Government will be adding a further £8 million of new money.

We will be seeking early discussions with the local authorities concerned about the details of the initiative to improve the targetting of these increased funds. We hope to persuade the local authorities to join with us and use their own programmes alongside our own in a concentrated effort to improve work prospects and the quality of life in these areas.

We will be establishing small task forces in each of the areas drawn from all the Departments involved to work with the local authorities and all sections of the local communities including ethnic minorities. We will seek to attract quickly private sector participation in our efforts and the involvement of voluntary agencies and organisations.

The object will be to try out new approaches, particularly to the provision of training, employment and self-employment opportunities for local residents. This will be achieved through projects and activities of wider but direct benefit to the residents of the areas concerned and their environment. We will seek to stimulate enterprise and provide a stronger base for the local economy. We will give particular attention to the problems of young people from ethnic minorities where they are particularly disadvantaged.

The initiative will be led by a team of Ministers drawn from the Departments of Environment, Education and Science, Trade and Industry and Employment and the Home Office. My Rt Hon Friend the Secretary of State for Employment will have overall responsibility for the co-ordination of the work of Departments. I will have responsibility for day to day

management and supervision of the initiative with the support of a small central unit. This Urban Employment initiative will complement and not replace all existing Government programmes.

I hope the House will welcome a bold experiment in concentrating all available efforts and resources in a joint way on the improvement of the quality of life and job expectations of the residents of these small inner city areas.

023/2769

SECRET

~~cc~~ BG

2

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Kenneth Clarke QC MP
Paymaster General
Department of Employment
Caxton House
Tothill Street
London
SW1H 9NF

NBPM.

5 February 1986

Dear Paymaster General

INNER CITY INITIATIVE

Thank you for your letter of 5 February. Attached. I have also seen a draft of your statement (circulated with your private secretary's letter of 5 February). Attached

It has now been agreed that of the £8 million, £5 million will come from the Reserve and £3 million will come from money previously allocated to the Community Programme.

I wholeheartedly agree with your second point that the other departments involved should be fully committed to co-ordinating their programmes under this new initiative. It is an inevitable part of trying to secure better results from existing resources that Departments should do things a little differently in the areas concerned. Otherwise its impact will be nil.

I am generally content with the draft statement. However I think it needs to be modified slightly to avoid any implication that additional resources are the only or even the key part of the new approach. The statement needs to make it clear that they are being provided only to enable it to get off the ground. I suggest that the last sentence of the paragraph ending at the top of the second page of your statement should be replaced by the following:-

> "Large sums are available to the chosen areas under these programmes. But in order to help the programme get off the ground the Government will be providing £8 million of additional money of which £3 million will be found from within my departments' existing provision and £5 million will be found from the Reserve."

SECRET

I would also like the word "increased" in the following sentence to be deleted.

I said at David Young's meeting on 4 February that I thought it was important to agree precise objectives on how the initiative should be evaluated before an announcement was made. Your draft statement contains a paragraph in fairly general terms about the objectives. For operational purposes we need something more specific. A more specific set of objectives has been discussed between our two Departments and circulated at official level. I think it is important that the other Departments involved agree with the approach set out in those objectives, in particular improving co-ordination, matching objectives in the chosen areas to those of the new initiative and concentrating on the people living in the chosen areas (as opposed to the buildings or businesses operating within them).

I also understand that our officials agree that an official group should be set up to determine output measures and performance targets for the initiative and to evaluate the results. I hope that other colleagues involved in this initiative are content with this approach.

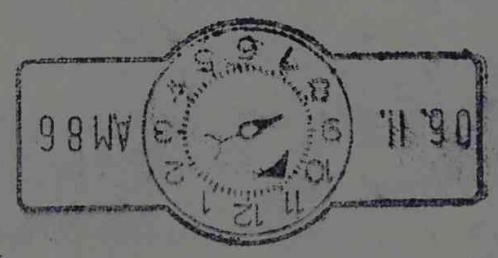
I am copying this letter to the Prime Minister, Douglas Hurd, David Young, Kenneth Baker and Keith Joseph.

Yours sincerely

R J Broadbent

for JOHN MacGREGOR

[Approved by the Chief Secretary]



CONFIDENTIAL

file SRW
cc Prof Griffiths

10 DOWNING STREET

From the Private Secretary

5 February 1986

Dear Private Secretary,

INNER CITIES

I mentioned to you the Prime Minister's preference that the new money to be found for the inner cities initiative should be restricted to £5 million. This is in part to avoid establishing any presumption that all new money would be found for the initiative if it proves successful and is later extended to other areas. I understand that your Department is likely to transfer a further £3 million from existing resources to the new initiative.

The Prime Minister has stressed that she hopes that all Departments concerned will cooperate fully in making this initiative a success among other things by allowing the allocation of their own resources within the designated areas to be brought within its scope as far as they can be.

I also mentioned to you one comment on the draft statement attached to your letter of 5 February to Richard Broadbent. The initiative is of course designed to serve a number of objectives, and it seems wrong to describe it as an "urban employment initiative" as the final page of the draft does.

I am copying this letter to Stephen Boys Smith (Home Office), John Lambert (Department of Employment), Robin Young (Department of the Environment), Rob Smith (Department of Education and Science), Richard Broadbent (Chief Secretary's Office) and Michael Stark (Cabinet Office).

Yours sincerely,
Martin Sawer (Duty Clerk)

(DAVID NORGROVE)

Jacob Franklin, Esq.,
Paymaster General's Office,
Department of Employment.

CONFIDENTIAL

Department of Employment
Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 4959
Switchboard 01-213 3000

J R R MacGregor Esq OBE MP
Chief Secretary
HM Treasury
Great George Street
LONDON SW1

5 February 1986

NBPM.

Dear John,

INNER CITY INITIATIVE

I have seen your letter of 4 February to David Young agreeing to only £5 million of new money for the inner city initiative which we intend to announce tomorrow.

I am not prepared to go ahead with a launch tomorrow on the present basis, for two reasons. First, £5 million is simply not enough. I have discussed the finance required with Douglas Hurd and Kenneth Baker and we are agreed that unless we can announce at least £1 million for each of the eight areas the reception to our announcement will be one of derision. Second, it is essential to have full commitment to co-ordination of programmes of all Government departments involved. This does not seem too much to ask in eight small areas; yet from recent discussions with colleagues this commitment is, to my mind, not there.

Both points had, I thought, been agreed at MISC 104 last Friday. Since others seem not to have the same perception of the outcome of the meeting I suggest we postpone the announcement and return to a collective discussion to establish what we are prepared to do.

I am sending a copy of this letter to Douglas Hurd, David Young, Kenneth Baker, Keith Joseph and David Norgrove (No 10), with copies of the exchange of letters betwen David and yourself.

Yours ever,

KENNETH CLARKE

Caxton House Tothill Street London SW1 9NF
6460
Telephone Direct Line 01-213.....
Switchboard 01-213 3000

J R R MacGregor Esq OBE MP
Chief Secretary
H M Treasury
Great George Street
LONDON SW1

4 February 1986

INNER CITIES

Following our discussions about the additional resources that should be made available for the inner city initiative I have looked again at the sums that will be required for administrative costs.

The detailed costings come to £1 1/4 million. This covers 8 local units (2 in London) each headed by a Principal, with a private sector secondment at Principal level, an HEO and a CO. The DE HQ Unit is costed on the assumption of a private sector secondment at the same level as the head of it (Grade 4), 3 Principals, an HEO, 2 COs and a Secretary. Separate provision has been made for part-time consultants, office machinery and travel and subsistence. Accommodation is built into the basic staff costs. The £1 1/4 million is at 1986-87 prices and will need to be added to my running cost control figure in the Estimates.

As to the new money for programme costs I provisionally agreed a sum of £5 million with you this morning, but on reflection I agree with the Paymaster General's view that £10 million is the minimum that is needed. You will know that the figure of £10 million has been mentioned in speculative press reports (which I hasten to add did not come from here). The disclosure of this figure will make it extremely difficult for me to announce any lower figure as the Government's contribution to the new initiative. Anything less than a figure of around £1 million per area - which will need to be slightly higher in one or two of the larger areas - is now bound to be seen as an insignificant response to helping to overcome the severe problems in these localities.

I must therefore ask you to consider again the level of new resources that can be made available for this initiative. I fear I will need an early response as the amount of new money available is bound to feature when the Paymaster General and I make our statements on Thursday.

Yours,

David.

PS/ [illegible]
PS/ [illegible]
[illegible]
[illegible]
[illegible]
[illegible]
[illegible]
[illegible]

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Lord Young of Graffham
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
London
SW1H 9NA

5/2

4 February 1986

Dear David,

INNER CITIES

Thank you for your letter of 4 February.

My understanding was that we came to a clear agreement that up to but not more than, £5 million of "new" money would be made available in 1986-87 for the inner city initiative. I was therefore very surprised to receive your letter saying that £10 million is the minimum that is needed. I was only prepared to agree to up to £5 million being made available after a good deal of persuasion: I have reconsidered the level of new resources that can be made available for this initiative but I see no prospect of increasing the new money above the £5 million figure. If you think it important to use a figure of £10 million in the announcement, £5 million will need to be found from within existing provision. Within your total programme of £3,600 million it must be possible to find £5 million.

You were aware that even the sum of up to £5 million which I proposed to provide could mean that there could be less room for any increase in expenditure on employment measures in the Budget. And I note that no other colleagues have so far been willing to provide savings from their programmes despite the fact that throughout our discussions there has been great emphasis on the need to redeploy existing resources.

Yours ever,

JM

JOHN MacGREGOR

SECRET

PART 7 ends:-

PM to Lewis Moss 31.1.86

PART 8 begins:-

CST to SS/Emp 4.2.86