PART 10

MT

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3002

CONFIDENTIAL FILING

INNER CITIES POLICY AND PROBLEMS

REGENERATION OF LIVERPOOL AND LONDON DOCKLANDS URBAN DEVELOPMENT CORPORATION

(IN ATTACHED FOLDER: DRAFT INNER CITIES REPORT)

REGIONAL POLICY

PART 1: JULY 1979

PART 10: MAY 1987

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~1.5.87~~		~~21.9.87~~					
~~6.5.87~~		~~23.9.87~~					
~~12.5.87~~		22.9.87					
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~~18.8.87~~							
~~4.9.87~~							

PREM 19/2462

PART 10 ends:-

N. BLACKWELL / H. BOOTH TO PM 22.9.87

PART 11 begins:-

DRN TO PM 23.9.87

cc BKup

pa

PRIME MINISTER 22 September 1987

INNER CITIES REPORT

We attach points on (A) Mr Sorensen's paper and (B) Sir Robert Armstrong's proposals.

(A) The language of Mr Sorensen's report is now consistent with the Government's philosophical framework, but it lacks substance and misses a few crucial areas. To make progress at the meeting next week we will need to be clearer about the next steps and responsibilities. You might raise the following with him:-

1 The role of local leadership: There is no recognition of the crucial role of strong local leadership. Consequently there is no discussion of how the Government can help such leadership emerge. The Glasgow Action team of prominent businessmen provides one model of how such a leadership group can work. Similarly, Ernest Hall in Halifax. To be effective they need to be self started, not Government appointed. But Government can help by talking about local leadership and encouraging BIC and other community organisations to stimulate local members to take up the challenge.

You might ask Mr Sorensen for a clearer plan of how Government can encourage and work with local leadership.

2 Departmental programmes: A wide range of possible initiatives has been identified over the last few months under the umbrella of encouraging motivation and enterprise. The submission from BIC contained a long list of ideas, and some are mentioned in the report. We need to ensure that all these ideas are developed by Departments to the point where they can then be presented as a package.

We suggest you ask Mr Sorensen for an agenda of possible initiatives within each Department that you could ask the relevant ministers to pursue.

3 Establishing a theme Mr Sorensen would like to develop a White Paper. This could be useful in helping to change the climate, but we are not ready yet. The report is a collection of ideas without a clear theme, other than the brief mention of objectives on page 2. Is our approach bottom up, top down or a mixture? Is it deregulatory or is it interventionist through grants and tax incentives?

- There is no discussion of whether grants are effective, distort the market or weaken fledgling businesses! Ernest Hall's miracle in Halifax needed no subsidies.

- There is no mention of the danger that increasing welfare payments and social subsidies may weaken motivation and exacerbate the dependency culture.

You might ask Mr Sorensen to set out our new approach and how it is based on motivating people to respond to opportunities, not succumbing to the temptation to throw money at the problem without tackling the root causes of social and economic decline.

4 Selling Motivation and Self Help: Selling the message of motivation and hope to depressed communities without sounding patronising or uncaring is a daunting task. If we are to encourage self help, the communication of our policy is as important to our success as the policy measures themselves.

For example, we might consider running adverts within the "Action for Jobs" series aimed directly at demotivated inner city residents - showing individual examples (role models) of people who have picked themselves up and

grasped opportunities under the theme "You've got it in you too". Examples from the US could also be used.

We suggest you ask Mr Sorensen to consider how we might best develop an effective marketing strategy.

5 Deregulation: The proposal to form a derelict land agency is a good example of what must be done. We would go much further with this.

If you want to discuss this we have some practical proposals.

(B) Central Government organisation

1 We agree with Robert Armstrong's conclusion that the Cabinet Office is not the appropriate place for a permanent inner cities responsibility. The only practical proposition is to recognise the leadership role of the Department of Environment with its key departmental role.

2 However, we are very concerned that Mr Ridley may find a leadership role on the inner cities difficult to handle. His energies are fully absorbed by his heavy load on housing, the Community Charge and water privatisation. You might therefore consider appointing a Minister of State to the Department of Environment under Mr Ridley to be the Government's public face on inner cities policy - someone with the energy and communicating skills of, say, Chris Patten or David Mellor who would nevertheless not be seen as a threat to Cabinet Ministers in other Departments.

3 It will also be necessary for you to convene occasional meetings of E(UP) under your Chairmanship to allow other Ministers to have their say and ensure that DoE does not simply revert to its traditional Government expenditure based approach to urban policy.

NRB.

NORMAN BLACKWELL

HB.

HARTLEY BOOTH

Regional Pol. Inner Cities PT10.

From: THE PRIVATE SECRETARY

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

22 September 1987

Dear Andy,

In the margins of Cabinet in the last week of July, the Prime Minister mentioned to the Home Secretary a letter she had received from Mr Tim Janman MP covering one from a lady in Hackney complaining about intimidation on estates. The lady was hoping to move to Thurrock (Mr Janman's constituency). The Prime Minister replied to Mr Janman on 23 July.

The Home Secretary decided to obtain from the Metropolitan Police their observations on the general points made by Mr Janman's correspondent and an account of the particular problems they face in policing estates in Hackney and the way in which they tackle this task. You may be interested to see the enclosed reply from the Deputy Assistant Commissioner of No 2 Area, which includes the estate in which this lady lives.

Yours ever

Nick Sanderson

N C SANDERSON

P.S. The Home Secretary is also sending a copy of the report to Mr Janman.

P A Bearpark, Esq

QUEEN ANNE'S GATE
LONDON SWIH 9AT

22 September 1987

Dear Tim,

The Prime Minister passed to me your letter of 23 July, with which you enclosed one from a lady in Hackney about her experience of living on an estate in that Borough. I agree with the Prime Minister that the lady's experiences are appalling.

I decided to obtain from the Metropolitan Police their observations on the points made by your correspondent, and you may be interested to see the enclosed reply from the Deputy Assistant Commissioner of the area, which includes the estate on which this lady lives. It makes depressing reading, about the present situation, but also points clearly to the way out. In most places the political obstacles to progress are not so great, but in Hackney and several other London boroughs they stay very severe.

Tim Janman, Esq, MP

Yours ever,
Douglas.

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Douglas.

METROPOLITAN POLICE
2 Area (East) Headquarters
City Road Police Station
4-6 Shepherdess Walk
London N1 7LF.'

Tel. No. 488 - 5161

25 August 1987 — Rec'd 1/9/87

R.E. Smith Esq.,
F3 Division,
Home Office,
Queen Anne's Gate,
London SW1H 9AT

CLOSED UNDER THE FREEDOM OF INFORMATION ACT 2000

Dear Mr. Smith,

INTIMIDATION ON ESTATES

I refer to your letter of 7 August 1987.

Many of the feelings and experiences related by [redacted] in her letter are I regret to say not untypical of those suffered by many of the residents in the London Borough of Hackney, not only those living on housing estates.

The Borough has been described as the poorest in the country and there can be no doubt that many residents live a life of despair and even hopelessness. Unemployment in the Borough is the highest in London with 40% of the under 19 age-group being out of work. A number of established companies have ceased to operate within the Borough and new industry appears to be reluctant to come to the area. The Dockland Development is within a few miles but there has been very little, if any, knock-on effect within the Borough. A large proportion of the Borough's 190,000 population are either first or second generation immigrants and 27% are retired.

68% of the Borough's population reside in Council accommodation, much of which is concentrated on housing estates. The condition, quality of life and prevailing atmosphere varies considerably and on many estates an air of disinterest and apathy is apparent, with an obvious lack of community spirit and neighbourliness. Many of the estates have been badly designed from a crime prevention viewpoint, with burglaries being easy to effect, and the dark passageways and corridors providing a haven for the robber and sex attacker.

The foregoing combine to create an uneasy and despairing environment for many residents where the fear of crime is high. In a recent survey commissioned by the Force 58% of the respondents in the survey area, which included the Borough of

Hackney said they felt unsafe walking alone after dark. Although [redacted] paints a gloomy picture, I am afraid to say the estate on which she lives is not regarded by police as being a 'problem estate'.

Faced with the scale of the problems that exist within the Borough, senior officers of the two divisions concerned, Hackney and Stoke Newington, must deploy their resources according to local priorities. In both cases this includes prevention and increased detection of burglary, robbery and misuse of drugs. To deal with all the problems on all the estates would virtually require a permanent police presence which in resource terms simply cannot be afforded. Nonetheless, each Beat on both divisions including that on which [redacted] lives, has a Home Beat or permanent Beat Officer attached to it who when on duty will patrol only that particular Beat. This is supplemented by officers on shift duties who will patrol on foot or in vehicles when available. Each division also employs dedicated teams of officers which are deployed to concentrate on specific crimes and/or locations, and on some estates one or two officers are permanently attached. This latter type of policing, however, is manpower intensive and can only be afforded on the most difficult estates.

The apathy and disinterest referred to above is reflected in the difficulty encountered in establishing and maintaining Neighbourhood Watches and is also experienced with Crime Prevention in general and when investigating crimes. Against this background it is pleasing to note the number of burglaries on residential premises in 1986 fell slightly to 5,553. Robberies and snatches of personal property are crimes of particular concern in the Borough and anti-robbery campaigns recently commenced on both divisions. Although the operations, which involve an increase in street patrolling, are in their infancy, the initial results are encouraging.

Senior officers are aware that many of the problems are outside their control and therefore participate whenever possible with other bodies in a multi-agency approach to solving some of these. Some of the local agencies, however, are reluctant to become involved with police. The local branch of the National Union of Teachers have a policy of non co-operation with police which prevents officers from entering many schools within the Borough. You will be aware that the intransigent attitude of the local council has resulted in the failure to implement a Consultative Group within the Borough, although I am hopeful that the Consultative Group will be formed in the very near future, although it is unlikely that the Council will participate at this stage.

[redacted] paints a grim picture of life within the London Borough of Hackney, which unfortunately cannot be regarded as exaggerated. Officers on both divisions will continue to pursue local objectives to prevent and detect crime, and liaise with

CLOSED UNDER THE FREEDOM OF INFORMATION ACT 2000

other agencies as far as is possible and attempt to improve the quality of life for the residents of the Borough but there are very real difficulties.

I referred above to the anti-robbery campaign we have been operating recently. You will be interested to know that during the six week period of such a campaign in one division in the Borough, a total of 149 offences for street robbery or theft from the person - referred to colloquially as 'mugging' - were reported. In 143 of such cases the victims, predominately white or of Asian appearance, described their assailants as black(s); in two cases as a mixed group of white(s) and black(s) and in four cases as white(s). This was during a period when additional police officers were deployed specifically to combat this type of offence and when an overall reduction of 25% in the number of such offences over previous periods was achieved!

The fear of crime is a very live issue in an area where so many social and environmental problems have combined to produce an atmosphere of disinterest and apathy verging on despair.

I am sorry to have painted such a cameo of gloom but I do hope the information provided will be of some help. If I can be of any further assistance please do not hesitate to contact me.

Yours sincerely,

G.W. JONES
Deputy Assistant Commissioner

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Deputy Assistant Commissioner

FILE

SENSIBLISM

The fresh face of the capital's politics

Margaret Hodge, leader of Labour councils in London, wants to lead a revolution in the way left-wing local government delivers services.
CHRISTIAN WOLMAR ***talks to the pretender to Ken Livingstone's crown***

'THE DAYS of flying banners from town hall windows and hoisting up red flags on the roof are over,' says Margaret Hodge. Indeed, as the left-wing that took over most London Labour councils in 1982 abandons the posturing politics that created the notorious 'London factor', it seems that in London only the buses — and Ken Livingstone — are still red.

Brent and Hackney, for example, are about to drop plans to appoint nuclear-free zone co-ordinators. Even in Haringey, where the left is at its hardest, Labour councillors last week rejected a financial strategy that would have led to almost certain disqualification, and this week the leadership resigned. A measure of the shift that is taking place in London council politics is that Bernie Grant MP, still a Haringey councillor, abstained on the vote and has already been dubbed a 'right-winger' and 'class traitor' by those who voted for illegality. As a result, left and right, hard and soft, are becoming irelevant labels. There are only two camps now, the dogmatists and the pragmatists, and the pragmatists, led by Mrs Hodge, are in the ascendant.

Mrs Hodge, who is leader of Islington Council and of the Association of London Authorities which links London's Labour boroughs, confesses now that the councils had been banking on a Labour victory to a much greater extent than they previously admitted. Its failure to materialise has made the fence razor sharp. Either the Labour councillors decide to stay in power, making cuts, or they retain political purity as they head off to the obscurity of surcharge and disqualification. The great majority are tumbling off on to the pragmatist side. This time the crisis is for real. Since the imposition of ratecapping in April 1985, the councils have run rings round the Department of the Environment, increasing services and especially staff numbers rapidly. The battle against ratecapping in 1985 (based on the naive tactic of delaying setting a rate in order to 'put pressure on the government') was a sham and exposed as such. The councils always knew that they would be able to avoid making cuts by using a series of financial measures now known as 'creative accounting'. To be fair, they might not have known quite how far creative accounting would take them. Camden, for example, has increased spending by 27 per cent *in real terms* over the past two years, despite ratecapping.

But now the party [illegible] and the record player has been smashed up to stop the boogying. The idea of ignoring the financial constraints and pursuing expansive and expensive policies was doomed by the general election result. Nicholas Ridley, the combative Environment Secretary, had already started to undermine the banks' confidence in the councils' creative accounting schemes in the spring by twice stressing that the government did not stand by local authority debt. This led to the cancelling of several schemes to raise money through the sale and lease back of council buildings.

Several of the councils' budgets for the current year were based on optimistic assumptions about savings and raising money through creative accounting schemes. Some councils have been unable to produce either, producing instead, at last, the real cry of 'Wolf!'. Camden, the market leader in cuts, chopped £10 million from its £138 million budget in July after failing to set up a lease and lease back scheme — although the notorious deal in which the council sold its parking meters *did* go through — and more spending on bed and breakfasting the homeless, now set to run at £20 million, double the amount expected.

> ***'The left is in danger of becoming the most reactionary force in British politics . . .'***

The town halls are already buzzing with talk of rent rises, recruitment freezes, efficiency savings and restricting the acceptance of homeless people. While the councils will muddle through this financial year, with the sacrifice of a few political egos, the gaps next year are awesome.

Give us more rope!

Creative accounting has enabled the councils to run two budgets: a legal one, conforming to government limits, and a real one, using the creative accounting devices. As these are now being closed off, both by the government and by councillors themselves who realise that they cannot sustain the series of one-off devices for a further five years, the ten London ratecapped councils mostly face gaps of between £40 million and £60 million, around a quarter of their budgets. Even those which have had the ratecap removed — Islington, Newham and Brent — have simply been given more rope with which to hang themselves under the grant penalty system, since 50 per cent rate rises are no longer conceivable after the electoral disaster in Waltham Forest and Ealing.

Had the left's policies brought about a clear improvement in council services, its next move would be easier. But with some exceptions, like Islington's excellent programme of modernising estates and increasing home helps and under-fives nursery places, it is hard to see what the extra staff and resources have achieved. As Tony Dykes, leader of Camden Council recently put it in a local Labour Party newsletter: 'Since 1982 our staffing has grown by 2,000 people [all but 500 are white collar workers], and we have regraded thousands of staff upwards since 1985. Yet no member of the Labour Group maintains that services are 2,000 staff better or x per cent growth better.'

With Steve King's resignation this week as Haringey's leader, the London council leaders are all lining up behind the pragmatic banner and are ready to make cuts. The main strategist is Margaret Hodge, whose acute political brain is hidden behind a soft, almost too nice, image. The left-wing credentials that have kept her as leader of Islington since 1982 derive almost exclusively from her long support for high-spending policies. Otherwise, she is in a different political tradition from the 1968 generation of ex-hippies and ex-Trotskyists who dominate London's left. Her background is more conventional, her style less haranguing.

Within days of the general election, she was working on a paper that sets out a strategy of survival for the left boroughs over the next five years. 'There were three possible options: defiance, mass resignation or staying in power to ensure that the cuts were as painless as possible. In 1985, we were right to try to resist ratecapping. The trade unions looked strong because of the miners' strike, Liverpool's defiance the previous year appeared to have paid dividends and Labour in the town halls was a strong forum of opposition. But defiance today would be hopeless. We would never manage to extract any concessions out of the government and it would result in the government taking control of local services.

'Mass resignation ultimately is the same as allowing our opponents to run the councils. Remaining in power may mean having to make unpleasant choices but at least we can ensure that priority is given to maintaining the services for those most in need.'

Mrs Hodge favours radical thinking about how to manage council services. 'The left is in danger of becoming the most reactionary force in British politics because there is a view that any new thought about what we are doing is seen as a threat to political purity.' She suggests that rather than merely adding increments to each council department's budget each year, all spending should be questioned. 'We must start with a blank piece of paper. Services that were developed during the '60s and '70s may not now be appropriate.' But she was unable to name any that sprung to mind and that's the problem. Council officers are used to batting for their own corner and whatever service is earmarked to be axed

miraculously becomes the most vital function of the council.

She accepts criticism of the left's failure to improve the basic, unglamorous services — housing management, social services, dustbin collection. She admits that the left-controlled councils were too pre-occupied with campaigning and defying the government to pay much attention to the day-to-day services. 'There's only 24 hours in a day, and there was a limit to what we could do. We have had successes, like our imaginative approach to helping people being thrown out of the long-stay mental hospitals and our "going local" offices have doubled the rate of housing repairs. But we have to be honest, and one of the reasons why Thatcher has been able to exploit the unpopularity of the services is that we are seen as bureaucratic, inefficient, unresponsive and paternalistic by many of those people who are most dependent on what we provide.'

'I'm not caving in'

The key to Mrs Hodge's new approach is to make 'our services so valued, like the National Health Service, that people will help us defend them. What we have to ensure is that at the end of five years, local government is in a sufficiently healthy state to be able to respond to what we are working towards — a Labour government putting its policies into practice. To do that, we have to look through the other end of the telescope. We've tended to act as politicians in a rather theoretical domain, protesting about cuts instead of examining what we actually provide.'

The policy shift underlying all this, which Mrs Hodge is reluctant to articulate precisely, is dropping 'jobs' from the 'save jobs and services' slogans which have become the ritual incantation of both councillors and their workforces for the past five years.

There are two big blocks of opposition which the pragmatists will have to overcome to achieve any of this. The first is the dogmatic left, which though weak among councillors — the reality of public office turns most councillors into pragmatists with remarkable speed — is strong in London constituency Labour parties. Already opponents of the cuts are organising in Haringey, Islington and Camden, using the same *Briefing* label which helped the left to power in these councils.

Mrs Hodge hits out at the 'growing movement in London which says the left councils are caving in'. She says that they have no answer when they are asked about their alternative policy, except to 'campaign'. 'I no longer know what the word means. If it means we want to change public opinion, then we are not going to do that by chewing each other's ankles off in ward meetings. In London there have been impossibilist demands put up by activists, often from people who work for the council and they have used the party itself as a mechanism to force councillors to take decisions they know are wrong. This has got to stop. The negotiations must return to their proper place, the negotiating table.'

Which takes us on to the main obstacle for Mrs Hodge and her allies: the unions. NALGO has had a running battle with the left-wing councils, calling a series of damaging strikes in Hackney, Islington, Lewisham and even, within months of the left taking over, in Ealing and Waltham Forest.

Yet Mrs Hodge is confident that the unions will join her unglamorous revolution. 'If we don't provide high quality popular services, then, with the threat of privatisation, there won't be any jobs

Stefano Cagnoni/Report

The service revolution

Soon after the general election, Margaret Hodge warned that 'Labour councils will soon face what people term "difficult choices", and services must come before jobs'. Now, before Labour's national conference, she elaborates on what this means. In effect, it is her prospectus for a local government 'service revolution'.

FRANK COUSINS TGWU PEACE AWARD

The Transport and General Workers' Union invites applicat Frank Cousins Peace Prize.

The aim of the scheme is to assist with research, travel or promote peace disarmament and/or arms conversion. The

Applications, from individuals or organisations, should be m application form), detailing the exact way in which the awar will be judged by a panel comprised of representatives of t personalities from the labour and peace movements.

Applications should be sent to:

Regan Scott
Secretary to the Award Panel
Transport and General Workers' Union
Transport House
Smith Square
London SW1P 3JB

The closing date is 30 October 1987

anyway. This suggests that there is a real convergence of interests between us.' But she accepts that that convergence is easier to identify in the long term than now. Mrs Hodge speaks of 'changes in working practices that mean people will have to be more flexible, such as two people doing the job that three did previously.' That kind of argument is not received with spontaneous socialist optimism by the council workforce.

In Camden, the biggest-ever NALGO meeting in the branch's history voted dicisively in July to reject any deals with the council over the cuts. The inability of the pragmatists to put an adequate argument as to why the workforce should co-operate was striking. The Camden councillors were warned that they risked overspending this year's budget and panicked by immediately freezing recruitment and by a ban on renewing temporary posts. The unions' response was confrontational and, as one normally moderate NALGO member put it, 'there's bound to be a strike soon because the councillors have been so petty and they seem to have no principles at all. The atmosphere here is dreadful.'

Conflict is inevitable elsewhere, too. The Labour councillors, particularly the new left-wing university-educated breed, guilty about their lack of working-class credentials, have always found management of the workforce a daunting task. Nothing *en route* to becoming a councillor prepares them for coping with hard-bitten union negotiators, always ready to embark on a strike that risks damaging irredeemably the left's street cred. Now some of these councillors whose cherished plans have foundered on union intransigence are chomping at the bit waiting to pounce on their own workforces. Unless Mrs Hodge and her allies hold these zealots in check, there will be 'excesses' of the reforming spirit.

The unions nationally, meanwhile, appear blissfully unaware of the impending crisis. NALGO, for example, takes the attitude that it is a federal union and that it is up to individual branches to make up policy. Camden, it seems, has shown the way.

The tragedy is that this time the cuts will really hurt the people that matter, those whom Labour is supposed to be helping and protecting. So far, the cuts are merely figures on bits of paper, but leaving homeless people on the streets as Camden plans to do, or cutting back on education grants as Brent is suggesting, causes real hardship. If the councillors had only taken on the responsibilities of managing their authorities with as much enthusiasm as they had for their foreign policy initiatives on South Africa and Ireland, then they would be in a stronger position to cope with the crisis. As they failed to improve services at a time of growth, it seems fanciful to expect them to do so in a period of retrenchment, doubly so because of the obdurate refusal of the unions to have any vision beyond the short-term interests of their workforce. For Mrs Hodge's optimism to be borne out, there needs to be a change in the hearts and minds of councillors (which there has been), unions, council officials, Labour Party committees and the workforces (which there hasn't). A change of mind from Labour's front bench in parliament, whose attitude towards the left councils has helped create their siege mentality, might also help. Perhaps it would be easier to ask God to give us a nice summer. □

Double d

The Pope meets Aids patients
***San Fransisco this week:* AND**
LUMSDEN ***describes the mor***
paralysis which his visit will n

MATCHING ACCESSORY to the p
is now the yellow glove. You wear the
police wear the gloves. So it was on 1
the White House when ACT UP ('Ai
to Unleash Power') sat on Pennsylva
blocking traffic and all wrapped up in
tape. *'Your gloves don't match your*
see it on the news', demonstrato
chanted at the fuzz.

Reagan had just been booed at a
Aids fund-raiser hosted by Liz Taylor
of the West was giving his first 'positi
what his own Surgeon General, C. E
calls the most urgent US health cr
paper was all about mandatory testin
or another group for the virus. Liz ha
her hands, Koop was 'embarrassed'

The Surgeon General wants the g
appeal for condom use, which is no l
Donald Acheson, government ch
officer over here, has already obtain
that Acheson only got his way by havi
lean on the Prime Minister in a Tues
(Julia Langdon, *London Daily News*
is trying to perform a similar f
'Reagan hasn't even *read* Koop's re
Dan Bradley, head of Federal legal s
Carter and the first presidential app
say what J. Edgar Hoover wouldn't

ACT UP is the newest and most
York response to the President's
CND-like because its tactics are med
disobedience, and Rainbow coalitio
it includes straights, gays, bla
Hispanics, all the city's afflicted.

The Reagan Administration is pa
fear of being open about homosexu
Irangate has a 'pink connection'. 'S
pleaded guilty this May to conspiri
the US government over a $2 mil
contras co-operation with Ollie No

Channell is a sometime aide to
winger Terry Dolan — the 'no I'm
I'm *not* homosexual' founder of
Conservative Political Action Con
seems was, and shook Republica
with his death from Aids la
Channell's outfit's 'top leaders an
subordinates were homosexual me
National Public Radio (9 April),
been 'consulting' payments be
companions' of top staff.

The odious profusion of closet c
American politics, church and stat
into the light. People are claiming
Hart hetero-debacle is perverting th
sexsational journalism British-style
Washington Post was digging int
secretly-homosexual Republica
before Hart fell.

My guess is that what they talk

22 September 1987

MR NORGROVE

INNER CITIES

You asked for my comments on the machinery of Government aspects of the Inner Cities Final Report.

There are two reasons for the current preoccupation with inner cities:

- political: the outcome of the election;

- the Government's failure to win sufficient credit for what it has already achieved, compounded by the capacity of its political opponents in charge of inner cities government to vilify central Government while simultaneously taking credit for projects financed from Westminster.

This being so, presentation is crucial to the future success of the Government's inner city programme.

There is no doubt that the Department of the Environment is the major player and that logically the Secretary of State for the Environment should be in charge.

There is equally no doubt about the DTI's claim in the public's mind to DTI leadership. Reports of intense rivalry between the Departments are all too regular - and all too damaging to Government credibility.

There is in my view a simple solution: for Mr Ridley, saddled as he is with the heaviest legislative load of any Minister, to make a virtue out of necessity and with the Prime Minister's blessing to invite Kenneth Clarke to take responsibility - not for the co-ordination of policy, which is the Prime Minister's responsibility in E(UP), but for the co-ordination of **presentation**. If Mr Ridley did this he would acquire a reputation for "big mindedness". I have planted the idea with his Director of Information who shares my view that this is the best outcome.

The prospects for this ideal solution are, I am told, slim.

This being so, I do not believe that the course proposed by Sir Robert Armstrong is second best. This is because it will **effectively** mean that the whole of the co-ordination of presentation of inner cities will be delegated to David Trippier

(who I am sure can work happily under Kenneth Clarke's leadership and with complete loyalty to Nicholas Ridley) at PUSS level.

This "demotion", as it will be seen, will sit oddly with the priority the Prime Mininster has accorded urban regeneration.

In my view a second best solution would be to:

1. designate the Secretary of State for the Environment as the lead Department for co-ordination, overview and presentation on the grounds that D/Environment has the major role and key responsibility;

2. recognise that the Secretary of State for the Environment has the heaviest legislative workload of any Cabinet Minister; and arrange for the appointment of a major political David Young-type figure outside Government to head an inner city co-ordinating unit and to secure maximum credit for central government across the country for its inner city effort. (NB: I have my thinking cap on over who this figure might be.*);

3. underpin the whole operation with a Cabinet Office official co-ordinating committee which includes a Government Information Service representative whose role is to look at co-ordination through promotional eyes.

* Bernard Ashes
- Denis Cassidy, ex MD British Home Stores, Geordie, committed to helping unemployed;
- Ron Dearing.

BERNARD INGHAM

Regional Pol: Inner cities PTIO

PRIME MINISTER

INNER CITIES

You are meeting Eric Sorensen to discuss the draft of his report. Richard Wilson and Hartley Booth will also be present, and Hartley has provided a note.

I found Sorensen's report disappointing. It is of course easy to have exaggerated expectations in this area and, given the time available, it may have been unrealistic to expect more. But the report at present suffers from many of the same weaknesses as John Fairclough's paper on research and development. It lacks vigour and bite.

Nevertheless, reading Sorensen's report, there are in fact quite a number of places where there are the germs of ideas or where recommendations are put hesitantly and in a sideways fashion. The report would be much improved and it would lead to a better discussion if at these places it were to say more precisely what is proposed, to indicate costs where appropriate and to direct the recommendation firmly at a Department or group of Departments. The recommendations will be lost unless they are directed firmly at someone who will be spurred either to accept them or to seek to reject them.

I have marked in the margin of your copy places where the report can be sharpened up in this way.

You will not want to discuss machinery of Government matters (on which see minutes from Sir Robert Armstrong and Bernard) at tomorrow's meeting. That is something to be talked through with Robert himself. But I do wonder whether an official Committee shadowing the Ministerial Committee is the best way of continuing work on the inner cities: interdepartmental disagreements in this area are sufficiently large that a report reflecting the lowest common denominator amongst Departments is likely to be low indeed.

I recommend that you ask Sorensen to sharpen up his report (taking more time if necessary) and discuss with him what he sees as the next stage. My suggestion would be that he should be invited to bring together material on the effectiveness of all the various programmes and grants now being directed specifically at inner cities. What output are we achieving from the various grants and programmes? Is there a case for stopping some and expanding others? Is the balance right as between, for example, MSC training programmes and work on clearing derelict land and building workshops? No-one can prove an answer in these cases, but it would be useful to have someone make an assessment which would look across Departments.

David Norgrove
22 September 1987

PRIME MINISTER

I saw Nick Ridley at lunch today and he is distressed about the continuing speculation in the press concerning the supposed row going on between him and David Young over who is to take the prime lead on the inner cities.

He says that there is no such argument and David Young confirmed this to me.

They both want some clear statement to be put out from here that a number of different Departments are involved in the inner cities initiative and that it is all being co-ordinated by you.

There does seem to be a difficulty on who would be responsible for statements on what is being done if you were to be in charge. However it is not obvious as to who should be the lead Minister if a decision had to be made.

ARCHIE HAMILTON
21.9.87

CONFIDENTIAL

MR BLACKWELL

cc Professor Griffiths
Hartley Booth
David Norgrove

21 September 1987

AUDIT COMMISSION STUDY ON URBAN RENEWAL

I do not think it would be at all embarrassing for the Audit Commission to conclude from a study of urban policy measures that much of the money had been relatively ineffective. On the contrary, the danger I see is that it would be very difficult to identify the impact of existing policies compared to alternatives that might have been pursued. The study needs not only to look at individual projects but also how far they have displaced other businesses or contributed to decline by sapping an area's confidence in its ability to solve its problems without Government help.

The experience of other countries, particularly the US, should be particularly useful in giving the best perspective. The lesson there is that the right approach is to build on the existing strengths of an area using little, if any, Government money but relying rather on providing consultancy and pump priming support. The most helpful conclusion from such a study would be one which drew attention to the success of this kind of approach.

Peter Stredder

PETER STREDDER

CONFIDENTIAL

V6

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

21 September 1987

The Prime Minister was very grateful for your note of 17 September on inner cities. She read it with her usual care!

David Norgrove

John Redwood, Esq., M.P.

PRIME MINISTER

18 September 1987

INNER CITIES POLICY:
LESSONS FROM THE AMERICAN EXPERIENCE

I met today Stuart Butler, an Englishman, who is Director of Domestic Policy at the Heritage Foundation in Washington. He had some useful things to say about the lessons to be learnt from American experience in the 1980's in dealing with inner city problems. His comments are set out in the attached extract from a letter he sent to Sir Michael Quinlan which you may like to read. Many of his points support the approach we are now developing in inner city policy.

The key points he makes are:

1. There is a limited amount the Government can do. Indeed Government help can be counter-productive in making people believe that the route to success is lobbying for more Government funds.

2. Build on the strengths of an area rather than trying to remedy its deficiencies. For example in Chicago it was found that a surprising number of the residents in a neighbourhood had nursing skills and a nursing agency was started. The traditional approach of finding out what is 'wrong' with an area encourages dependency by telling people they need 'help' and damages the confidence it is so important to generate to revive these areas.

3. It is important to identify leaders in the community whose skills are entrepreneurial or practical in other ways. The traditional approach is to work through local

political leaders whose objective is to further ideological ends rather than the success of their area.

4. Small business creation is of crucial importance.

5. Housing is the key to economic and social develoment in poor neigbourhoods. In particular, housing improvement has generated many small businesses. Tenants have taken over the management of private rented housing and have initially concentrated on providing housing-related services. But once they realise that they can run businesses on their own the range of activities expands. More surprisingly, there has also been an effect on social behaviour. In one such case in Washington crime and illegitimacy fell very sharply. Once tenants realise they have control over their economic future and a stake in their community they start to re-impose social control to encourage the traditional values they fundamentally share.

If the work involves local businesses.

Conclusion

This note is for information at this stage. But we will be drawing on its lessons in future policy advice. And in presenting inner city policy our answer to the inevitable criticism that there is no more money must be that this traditional approach does not work, whereas the alternative has shown remarkable success in America.

Peter Stredder

PETER STREDDER

I believe the American experience suggests the following broad lessons:

1) It is vitally important to base an inner city strategy primarily on seeking to build on existing capacity and potential, rather than on trying to seek and remedy deficiencies.

In the 1960's, money and specialists were poured into America's cities, and residents were asked over and over again to explain their shortcomings and to point to the problems of their communities. The result was that strengths and opportunities were overlooked, and inner city residents learned the political lesson that pessimism and deficiency bring the reward of government programs. This reinforcement of negativism has proved in the long run to be far more destructive of minority urban neighborhoods than any economic problems. By contrast, more recent approaches have involved analyzing the strengths of communities. This has led to some remarkable transformations with relatively limited outside assistance.

2) New leadership in inner-city communities is essential for a successful transformation.

There are many limits on the ability of government to discover genuine and effective leaders who are committed primarily to social and economic improvement--rather than strictly political or ideological objectives. More often than not, those who make the greatest noise--and who lead the demand for government cash--are not the ones who would have the most positive impact. But these more entrepeneurial and non-political leaders must be the focus of the Government's attention.

The American experience is that the greatest potential comes from those who quietly get on with the business of dealing with neighborhood problems rather than petitioning government for new programs and assistance to be channelled through their hands. Thus a system to find effective leaders is of paramount importance if government money and programs are not to be wasted. Developing techniques to identify such leaders is a necessary condition for success and should be a primary focus of government efforts.

Two strategies seem to have been successful in America. The first is to approach respected figures within the community who do not have a political ax to grind. Church leaders, small businessmen and non-political social service groups tend to know the positive things that are going on in a community and who is behind these developments. This often results in the identification of leaders who are not on the political barricades but who have enormous support and respect within the community. These are the people government should be dealing with. Second, merely creating a climate which is favorable to social and economic enterprise within neighborhoods often results in effective leaders becoming apparent. For example, programs in America that have made it easier for public housing residents to develop their own businesses and manage their own projects have resulted in effective neighborhood leaders coming forward. Similarly, streamlining regulations concerning neighborhood-based services has encouraged many new and effective local leaders to emerge.

3) Small business creation in the inner cities is the key to stabilizing neighborhoods and inculcating an attitude of building on existing resources.

Several steps can be taken to spur such local business activity. One is to lower the burden of taxes and regulation in communities with a view toward reducing the start-up costs of small businesses in these areas. Many American cities have taken the basic British enterprise zone concept and applied it to residential neighborhoods (rather than to vacant or exclusively commercial areas). These American enterprise zones have been extremely successful in establishing a favorable environment for small-scale business activity within existing facilities.

Another approach has been to build on the marked success of public housing tenant management. Self-managed public housing projects in America have spawned hundreds of new businesses and jobs related to building maintenance and management. A change in the management system of housing in depressed areas, in other words, has become the seed for enterprise development. Many American cities are also exploring the idea of encouraging neighborhood-based groups to bid for contracts to supply

municipal services, such as rubbish collection, building maintenance and similar basic services. Not only has this saved money, but it has stimulated enterprises within poor communities aad given residents the feeling that they can improve services and the quality of life of their community. Needless to say, these privatization approaches to business development in inner cities have run in to the problem of union restrictive practices. The only solution to this opposition is to face it head on. If government merely avoids turning to these forms of self help economic development for fear of arousing union opposition, a powerful antidote to inner city decay is overlooked.

4) Trying to foster economic development in depressed areas by giving low-cost money or special preferences to minority business enterprises, as an entitlement, has a very sorry history.

The American experience is that preferential treatment for minority firms is counterproductive. First, it reinforces the notion among minorities that they are somehow inferior -- incapable of succeeding in business without some special assistance or shielding them from competition. Second, it makes these businesses completely dependent on government rather than preparing them for the open marketplace. And third, it breeds corruption. In the United States, we have had countless examples of apparently minority-owned businesses which have turned out to be mere shells for white-owned businesses seeking special government aid. The whole ethos of special "set-aside" programs, as they are called, undermines the idea that inner city communities can stand on their own feet without being propped up.

5) Do not be obsessed with expensive job training.

As we discussed when you were here in Washington, and as the experience of Restart clearly demonstrates, the best approach to job training is to keep it simple and to emphasize the basics. In the United States, the only clear success of expensive job training programs has been to create jobs for the trainers! Just as in the case of welfare programs, it is vitally important that

initiatives to foster skills within the inner cities do not simply create a vast service industry that is committed to increases in spending rather than tangible successes on the ground.

6) Government can only do so much -- and perhaps very little at that.

The really significant success stories in American cities tend to involve neighborhood organizations, churches, and other institutions within the communities. By contrast, the impact and cost effectiveness of government programs in the inner cities has been extremely disappointing. If the government is to stimulate effective action within these communities, it must make it clear that residents should not look primarily to government for their salvation. In particular, government needs to challenge community institutions to take the leading responsibility for addresssing social and economic problems of the area. It may be necessary to argue strongly with these institutions that they should, indeed, take the lead -- many of their own leaders have succumbed to the idea that only government can make the difference. So it is important to reach out in a challenging way to local institutions.

7) Housing seems to be the key to economic and social development in poor neighborhoods.

The American experience is very clear on this. Invariably, organizations and individuals that now are powerful engines of improvement in a community began as groups dedicated to improving housing conditions. In New York, for example, numerous groups began in the 1970s by rehabilitating a few houses in the block. They have since grown into powerful and effective organizations that not only have improved housing, but also have spawned businesses, training programs and other essential features of an improving community. Addressing housing problems by enabling local people to take the initiative into their own hands is a highly effective way of stimulating creative juices within a neighborhood.

Ref. A087/2740

MR WICKS

Inner Cities: Final Report

Mr Sorensen's final report is to be considered at your meeting on 1 October.

2. The report describes and makes recommendations about the inter-departmental organisation on the ground. It indicates that there needs to be some means of drawing departments together at the centre. But it does not make any recommendations for that purpose. It is of course for the Prime Minister to decide, as a matter of machinery of government, how this is to be done.

3. There are two needs to be met:

i. there needs to be some way of improving the co-ordination of the formulation and the implementation of policy towards inner cities among the departments concerned in Whitehall;

ii. there needs to be some focus of Governmental activity on this matter, as it affects outside organisations and the inner cities themselves, and for the purposes of presentation.

4. One possible course would be a machinery of government change. I assume that the Prime Minister will not want to create a 'Ministry for Inner Cities', with its own Cabinet Minister, to which all existing departmental functions relating to inner cities are transferred. Short of that, it would be possible to transfer some of the functions performed by one

department to another department: for instance, it would be possible to transfer responsibility for task forces (to which the Chancellor of the Duchy of Lancaster has given a high profile at the Department of Trade and Industry) to the Department of the Environment, who have the inner cities directorate and dispose of the major part of the policy and the largest share of resources relating to inner cities.

5. A second possible course, without transferring functions, would be to identify one department clearly as the lead department. Thus, one of the Secretaries of State with a considerable stake in inner cities could be identified as the lead Secretary of State: he (supported by his department) would be responsible for an over-view of inner city policies, for co-ordinating the policies and programmes of the Government which relate directly to inner cities, and for presenting the Government's programmes and policies to the media and the public. There are also many areas of Government policy more generally which affect inner cities (eg education, training, crime prevention): there needs to be a focal point for drawing these threads together as well.

6. A third possible course, which could be combined with one or other of the first two, would be to strengthen the machinery for inter-departmental co-ordination of policies and programmes at Cabinet Committee level. Thus, it would be possible to retain the Ministerial Committee on Urban Policies (E(UP)) under the Prime Minister's chairmanship, and to set up a corresponding committee of officials, under the chairmanship either of the Cabinet Office or of a lead department, and to invite that committee to keep the progress of policies and programmes under review and to report every (say) three months to the Ministerial Committee.

7. Mr Sorensen has done a very useful job in the preparation of his report; but I do not think that this is a case for a

INCAAT

continuing unit in the Cabinet Office. Responsibility in this area requires energetic day-to-day management and presentational skills, and as such is best discharged by a department led by a Secretary of State.

8. In deciding what mix of these courses to adopt, the Prime Minister will wish to have regard to the politics involved, and in particular to the uneasy relationship between the Secretary of State for the Environment, who has the major policy and resource commitment, and the Chancellor of the Duchy of Lancaster.

9. I do not think that formal changes in the machinery of government are needed or are likely to be helpful at the present time. I judge that what the situation needs is a combination of a clearly identified lead Secretary of State and department and a strengthening of the inter-departmental machinery for co-ordination of policies and programmes. If inter-departmental rivalries were to become a serious nuisance, you might need to return to the possibility of transferring the task forces from the Department of Trade and Industry to the Department of the Environment; but it ought not to be necessary.

10. As to which Secretary of State and department should be in the lead, I have no doubt that the Chancellor of the Duchy of Lancaster would like not only to continue his present involvement but, with his Secretary of State, to become the lead department. But Mr Ridley will find that very difficult to accept; and Mr Ridley's department has the larger commitment in terms of policy functions and resources. On balance, I believe that the right course would be to make the Department of the Environment the lead department, and Mr Ridley the lead Secretary of State, with Mr Trippier as the junior Minister supporting Mr Ridley on this side of his work with special responsibility for presentation. It would be possible to put the Chancellor of the Duchy of Lancaster in charge, with

Mr Trippier supporting him; but it is unlikely to be easy to have a junior Minister in one department supporting a Cabinet Minister from another.

11. Because of the inter-departmental rivalries, I have no doubt that there will be a continuing need for the Ministerial Committee (E(UP)); I think that an inter-departmental official committee in support of the Ministerial Committee would have a useful role; and that it is likely to be more useful if it is under Cabinet Office chairmanship than under Department of Environment chairmanship (because of inter-departmental rivalries).

12. The Prime Minister will no doubt need to review this in the light of discussion at the E(UP) meeting. Subject to that, however, I recommend:

a. no formal changes in machinery of government;

b. designation of the Secretary of State for the Environment as the 'lead' department with responsibility for the co-ordination, over-view and presentation of Governmental policies and programmes on the inner cities;

c. the setting up of an official committee on urban policies, to keep under review inter-departmental co-ordination of programmes and policies and to report progress to the Ministerial Committee.

RCA

ROBERT ARMSTRONG

18 September 1987

INCAAT

Regional Pollutant Class PTIO

PRIME MINISTER

INNER CITIES

Eric Sorenson has sent me a copy of his draft report, just received so I have had no opportunity to read it or mark it up. But I send it to you now so that you can look at it over the weekend if you wish to do so. The meeting to discuss the final report is on Thursday 1 October. But it could well help if you were to discuss the report with him before it is finalised and circulated, which points to a meeting in the middle of this coming week.

If possible - yes

DAVID NORGROVE

18 September 1987

VC4AQD

CCAH.

TO: PRIME MINISTER

FROM: JOHN REDWOOD, MP 17 September 1987

Prime Minister 2

DCV 18/9.

INNER CITIES

Trying to make general policy out of the mixture of motives, monies and attitudes in Whitehall Departments is going to fail. Where your policies have worked best in the past - as with privatisation and industrial relations reform - one Ministry has been clearly in the lead and one Minister has been its champion.

The only place from which to pioneer inner city policy with vigour and success is the Department of the Environment. Inner city rehabilitation will rest squarely upon the success you have in granting planning permission for new ventures in the inner cities and encouraging land assembly so that people can easily rebuild them. The government will not have the money nor the inclination to pay for the buildings themselves. The DoE money should be spent on land assembly, land reclamation and basic infrastructure so that these areas become attractive to developers who will then pour in hundreds of millions of pounds to complete the work.

The programme will take initial funding as the London Docklands Development Corporation has shown. Within five years it is possible for a development corporation to be generating cash so that it can repay the government. The early years of high expenditure are years of land assembly and land improvement. The subsequent years should be years of land disposal at much higher land prices reflecting the added value from improvement and from the growth of new developments on that land.

It is important to have visible results in time for the next election. Because of this it is a good idea to spend money quickly within the next year on the leading development corporations so that there will be something to show within four years. The additional money which Nicholas Ridley will require should come from reductions in other programmes - most notably from cutting rate support grant for the

inner city councils who have shown themselves incapable of spending it wisely and who are the root of much of the inner city problem.

The most serious decision to be made is that over staffing for both the urban development corporations themselves and for the teams that will be needed to implement the radical housing policy you have outlined. London Docklands triumphed in part because Nigel Broakes and Bob Mellish were an excellent team who believed in the project and who were determined to make it work. You will need equally dedicated people to get the UDCs off the ground in the new areas and to sell the housing policy to tenants who in the first instance will be unenthusiastic about the idea of life under a tenants co-operative or a new landlord.

John Moore's initial team in the Treasury to get privatisation underway on a big scale in late 1983 shows what can be done by hand picking the right civil servants and enthusing them with a good policy. The same hand picking will have to be done from the DoE for the new housing activities.

DTI have a role to play in selling the opportunities in the cities to British manufacturing and service industry. But they should not be allowed to waylay the programme by a long debate over various types of benign contract compliance. It will not be easy persuading industry to get involved in some of the city areas and if unpleasant restrictions are placed on them about where they will get their labour from it could prove the straw which breaks the camel's back.

The response so far to your inner cities policy has been excellent. The press has widely welcomed it. The public in both the north and the south of the nation think it is the right thing to be doing. There is no outright opposition apart from the inner core of the Left - only some scepticism amongst those who are watching it as to whether in the time available and with the resources at your disposal you can achieve something visible.

I believe you can as you have shown in East London. To do so will require early and good decisions on people and money for the two chosen central features of the policy - these are the urban development corporations and the housing ownership changes. Both will need aggressive marketing.

1 PS Norgrove – Essex
2 PW Taylor

RTA is mintg. We can discuss further when bio minute arrives.

MR WICKS

INNER CITIES

Attached are the papers on Inner Cities:

N.L.U 18-9

Annex 1 My letter to Ken Sorensen together with my redraft of his proposed chapter on presentation;

Annex 2 His letter to me to which was attached his first draft on presentation.

I think the papers speak for themselves. The only point I should add is that in my group the Department of Environment and DTI are absolutely at one and the Department of Environment is in the lead in advocating Kenneth Clarke as lead Minister for presentational purposes, with David Trippier (D/Environment) as his deputy.

I have suggested to David McDonald, Department of Environment, that Nicholas Ridley could solve the problem by suggesting that Kenneth Clarke should in fact take charge of the coordination of presentation with David Trippier's support.

BERNARD INGHAM
17 September 1987

ANNEX 1

10 DOWNING STREET

LONDON SW1A 2AA

From the Press Secretary

17 September 1987

Dear Ken,

INNER CITIES FINAL REPORT

Thank you for letting me have a sight of the draft presentation chapter to the above report. I have discussed this with the Heads of Information Divisions concerned and my attached redraft results from our consideration. It has been cleared with them, though their unanimous view is that it falls short of what is required.

My main aim in redrafting the text has been to:

i. analyse the problem in presentational terms, which is what Ministers will expect; and to

ii. group proposals/recommendations in a logical order.

You said in your covering letter that the issue of a lead Minister for coordination and presentation is not a matter for you and that you do not propose to cover it in the report. My view - and this is unanimously supported by all Heads of Information - is that there is no point in writing a report which does not face up squarely to the problem. And any report which ignores the question of a Minister responsible for coordination and presentation, as distinct from a lead Department, in our view is deficient because it ducks a real question.

All Heads of Information would perforce be obliged to advise their Ministers of this deficiency in the report's final form if the problem - and opportunity - is not covered.

I have sought to find a compromise, which I hope you would accept, by identifying the issue in a somewhat muted way without prescribing a solution. That seems to me to be the minimum any serious approach to presentation can do.

I am, I think, aware of your difficulty and you may care to discuss the attached with me. I would, of course, prepare any redraft which should incorporate a final paragraph summarising recommendations on presentation.

I am copying to Heads of Information attending MIO(IC).

BERNARD INGHAM

K E C Sorensen Esq

BACKGROUND

1. "Inner Cities" has become the generic term for urban areas with problems. It is often applied to areas which are neither in cities nor in their inner core. It covers a multitude of problems - eg environmental decay, rundown housing estates, industrial decline, very high localised rates of unemployment, social and racial deprivation, drugs and crime. Moreover, the public focus can change, sometimes very quickly as, for example, when there are "riots" and the media seek to identify the "underlying causes". The term "inner cities" has however taken such firm root in the panoply of journalistic cliches that we are probably stuck with it.

THE GOVERNMENT'S OBJECTIVE

2. In tackling the problem of the "inner cities" the Government are seen to be seeking to regenerate our towns and cities - to improve the conditions and opportunities for those living there.

THE PRESENTATIONAL PROBLEM

3. But while the Government's purpose - an important part of the message - is clear, the measures by which that purpose will be fulfilled are many, varied and interrelated. There is no single route to the achievement of a better social and economic environment in our "inner cities", though the close involvement of the existing community and the private sector are invariably common to all the programmes; their relevance needs to be stressed. There is also such a plethora of agencies (and acronyms) through which the Government is working that some confusion over the Government effort is inherent in present circumstances.

4. This means that there is no "inner cities Department" as such, though the circumstances of a particular area may mean that, for a time at least, one Department predominates. There is thus no lead Department. Nor is there a lead Cabinet Minister who could take a co-ordinating and presentational lead.

5. Moreover, a timetable cannot be set for results to show. Some measures will bring improvements relatively quickly while others will take years. Jobs will take time to materialise and are likely to be generated at different rates. It is as presentationally important to avoid excessive expectations as it is to avoid the charge that the "inner cities" problem arises from earlier Government neglect.

6. The new attack on "inner city" problems arises partly because the Government are not receiving sufficient credit for what has been achieved or for the many initiatives underway. It follows that presentation needs to be improved.

7. Against the complex background set out above, the prime requirements are:

i) a policy statement which brings policy and action together as a coherent programme;

ii) better co-ordination at all levels.

POLICY STATEMENT

8. There has been no rounded statement of Government urban policy since the Inner Cities White paper of 1977. There is no Government document which sets out the range of Government policies, their particular emphases and substantial achievements since 1979. This omission should be remedied. Ministers will wish to consider whether such a statement should take the form of a White paper; whether such an authoritative document should be presented in glossy, illustrated form; and whether a simplified "popular" version should be made available.

BRIEFING NOTES

9. The Government needs increasingly to present themselves in "inner cities" as working to an overall plan. The diffused nature of responsibilities militates against this. Given no lead Department, or Minister, individual Ministers and Departments should take particular care to relate their policies and measures to the Government's objectives and how their contribution fits into the broader context. A briefing note, with a covering set of bull points, which is regularly revised to take account of developments, is required. This might be prepared and circulated by the Prime Minister's Chief Press Secretary, in consultation with Departments.

LOGO

10. Too often the credit for initiatives and improvements is taken by, for example, the local authority, even when Government support has been crucial. Progress is being made with publicising schemes receiving Urban Programme and Urban Development grant support. More can, and should, be done to secure credit for the Government through other schemes and projects. It would be easier

to do so, if Ministers agreed that all Departments, in issuing press notices connected with the "inner cities", made use of a logo, possibly that designed for the "Action for Cities" booklet prepared by the Departments of Employment and Environment. Ministers may also wish to instruct officials to make widespread use of the logo on signboards associated by Government-backed "inner city" initiatives.

CO-ORDINATION

11. Better co-ordination of Government presentation is crucial if the Government's attack on inner city problems is to achieve greater public recognition. This is needed at both Ministerial and official level.

MINISTERIAL LEVEL

12. There would be advantage if Ministers, in taking decisions on area-specific proposals - eg housing action trusts, simplified planning zones, City Technology Centres, mini-UDCs - which could consider the political (and presentational) advantage of different locations as well as the intrinsic merits of the projects themselves. Better value for money can be secured in some areas rather than others because of the mix of measures already in place. In other words, the aim should be to reinforce success, or the reasonable prospect of success.

Visits

13. Better co-ordination of visits to "inner cities" is required. There have been occasions recently when Ministers have been on inner city business in the same place at roughly the same time. Opportunities for putting over the Government's message have been missed through lack of co-ordinated preparation. To secure the more effective use of Ministers' time, we need a co-ordinated regional approach (see paras 16-18 below) as well as sharper briefing material as recommended in para 9 above.

OFFICIAL LEVEL

14. Official co-ordination of presentation is required at three levels:

- national
- regional
- local.

National

15. National coordination of presentation occurs only at official level. The Prime Minister's Chief Press Secretary chairs a group of Heads of Information drawn from the Departments concerned. This group was formed soon after the election and meets regularly to consider overall presentation strategy and to monitor its execution. The Group has contributed to this report and should continue to serve as the national official-level focus for co-ordinated advice on presentation to Ministers.

Regional

16. The regions are very important for two reasons:

- it is at this level that the Government's initiatives and achievements can be brought together most tellingly for the public; while those living in the inner cities will feel the benefit of improvements, the political value of those improvements will not be realised unless advantage is taken of the regional media, including television, to claim credit for the Government;

- it is only at regional level that effective co-ordination of Ministerial and other visits can be secured.

17. Accordingly, it is recommended that Ministers should identify a senior Government official in the regions to secure effective coordination of Departments involved in inner cities policies and measures. He should work closely with and involve the Regional Director, COI, in all meetings for this purpose. The Regional Director of the COI should then be responsible for coordinating the presentation of the full range of policies and measures and relating them to the Government's overall purpose, as defined above. The COI is represented on the Chief Press Secretary's group. The function of the regional machinery should be to identify opportunities for positive publicity and communicate these to Departments and the Chief Press Secretary. The senior regional official charged with policy coordination could, subject to Ministerial approval, regularly bring the media up-to-date on progress.

18. Ministers will, however, wish to note the political dimension to regional and local presentation. Frequently, local or regional criticism of the Government's programme is couched in

party political terms to which only a politician can make an effective reply. Ministers may wish to nominate and brief political spokesmen - eg MPs - to respond in such circumstances.

Local

19. The establishment of City Action Teams has helped to improve the flow of information between Departments about urban programmes and initiatives. These and other agencies for Government action can do much to secure good local publicity. But they should be encouraged to feed their ideas for publicity, especially involving Ministers through the regional Directors to Departments and to the Chief Press Secretary's Group. Without this information the Government will achieve less national and regional impact.

ANNEX 2

CONFIDENTIAL

11 September 1987

CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-270

Bernard Ingham Esq
No 10 Press Office

Dear Bernard

INNER CITIES FINAL REPORT

I attach a part of the present draft.

The section begins "Targetting Specific Areas", seeking Ministers' views on whether we should concentrate initiatives in certain areas in order to make more impact. It seems to me that this has some bearing on the presentation issue.

Then follows a section on measurement and evaluation - how do Ministers wish to be judged.

The final section is "Presenting the Policy". At present it is not much more than a catalogue of useful things Ministers and officials could do in order to help get the policy across but perhaps we might start by agreeing that the list is about right.

What I have not covered, and will not, is the lead Minister issue. That is not a matter for me.

You may feel that there should be more specific reference to the GIS and the services that COI can provide and I would be happy to try and reflect this in a further draft.

Yours ever

Kim Sorensen

K E C SORENSEN

PRESENTING THE POLICY

"Inner cities" is an all-embracing label used by journalists to describe very different areas and problems. The leading issue changes, sometimes very quickly. If there are riots the issues become crime and disorder and there is public speculation on "underlying causes". At other times the focus is decline of traditional industries and the effect on old manufacturing towns; at times it is on rundown council estates and the very high rates of localised unemployment.

Just as there is no single problem, so there is no single message, except at the most general level, that the Government can use to encapsulate its urban policy. Certainly motivation and self-help and the way these are encouraged by Government can be emphasised. But a place also has to be found in presenting the policy for the Government's achievements in fostering a single-minded attack on physically rundown areas, to improve urban local government and to tackle basic problems in housing and education provision, and to deal with crime and disorder. There is not, therefore, a single message which can express in specific ways the positive things the Government are doing. Inevitably the message has to be a series of points. It also has to distinguish between developments which will show results relatively quickly, and those where the aim is for longer term beneficial changes.

Unpublicised achievements

The Government are not receiving sufficient credit for the many initiatives already underway. This is partly because they are not regularly brought and presented together. Partly it is because the policies are changing all the time and continuing existing major initiatives can get overshadowed by new ones.

Practical steps

There are a number of steps which can be taken to improve presentation. Some are addressed to Ministers, some to officials.

Context for Ministerial announcements

Given the multi-faceted nature of urban policy and the many Departments involved in its delivery a more deliberate effort might be made to put individual initiatives, where appropriate, in their broader context. There might, for example, be a brief reference to the urban policy themes and the way a particular proposal flowed from one or more of those themes might be emphasised.

Similarly, the emphasis might be on the Government's urban policy and the contribution that individual Departments made to it, rather than presenting initiatives in isolation.

Ministerial briefing

It would be helpful if Ministers had available a short and succinct summary of the bull points on the Government's urban policy, supported by key facts. This not only would help to put individual Departments' contribution in context but would provide an efficient means to help Ministers get across the interlocking themes and make them meaningful to people.

Visits

Some steps have now been taken to co-ordinate the timing of visits. There have been occasions recently when several Ministers have visited the same place at more or less the same time. Opportunities for hammering home a number of agreed points have been missed through lack of co-ordinated preparation.

Decisions on Departmental urban initiatives

There is of course collective Ministerial discussion on

specific policy proposals which then lead to Departmental announcements. Particularly on area specific proposals - e.g. Housing Action Trusts, Simplified Planning Zones, City Technnology Colleges, mini-UDCs - there may be advantage in Ministers discussing and agreeing their location, as well as the merits of the proposals, because these projects can support each other. This relates back to the discussion on the area approach and the value of developing good links between projects at the local level.

Logo

Ministers have already drawn attention to the need for better publicity for the Government's contribution made to local projects. Too often the credit appears to go to others e.g. local authority, when the Government support has been essential. Some progress has been made to publicise schemes receiving Urban Programme and Urban Development Grant support. More can be done and different types of project can be included. A logo was designed for the "Action for Cities" booklet prepared by Departments of Employment and Environment. Ministers may now wish to formally endorse that logo design and the slogan "Action for Cities", and instruct officials to ensure as widespread use of it on signboards as possible.

City Action Teams

There is a powerful tendency for Departments to concentrate on their own business and not sufficiently take account of relevant developments in other Departments. The setting up of City Action Teams has greatly helped to improve the flow of information between Departments about programmes and initiatives relevant to the conduct of urban policy.

This helpful development should continue to be exploited with the City Action Teams preparing joint briefing documents which can be used to inform local journalists and also as inputs to Ministerial briefing. It is essential that the Regional Directors of COI are fully involved in the preparation of these.

Subject to clearance by Ministers Regional Directors could hold regular briefings with journalists to continually update them about Government initiatives at local level.

Authoritative statement

There has been no rounded statement of Government urban policy since the Inner Cities White Paper of 1977. There is no Government document which expresses the range of the policy, the Government's particular emphases and the

substantial achievements since 1979. It is suggested that this is an omission which should be put right. Ministers will need to decide what sort of document they wish to see. For example should it be authoritative but relatively low key as a traditional White Paper. Or, should it attempt to combine authority with presentability, including photographs and so on.

The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 2462/2 (one piece/item number)	Date and sign
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PAB

MR ADDISON

4 September 1987

Might I suggest the Prime Minister sends a letter to Stephen O'Brien of Business in the Community in connection with the paper which he sent us:

- expressing general support for the role of the business community described by BIC;

- thanking him for the suggestions for Government policy, which are being considered;

- expressing interest in taking part in the Dragon awards ceremony;

- raising the idea of BIC publishing their ideas in a form directed at the business community, perhaps with a foreword from herself.

BRIAN GRIFFITHS

PRIME MINISTER

INNER CITIES : INTERIM REPORT

Norman Fowler and I have seen a copy of this report prepared by officials in the Cabinet Office and commissioned by the E(UP) Subcommittee at its meeting on 7 July and Norman has asked me to comment on it in his absence. I understand that a substantive discussion is planned once the final report is available but I felt it would be helpful to let you have some initial reactions to the note as circulated.

The report provides a useful summary of the dimensions of the problem to be tackled in our inner cities and helpfully identifies a range of initiatives which might be taken to deal with them. I am content that officials proceed to work up a substantive report built on the framework of the interim report. Nevertheless I have a number of comments on the material prepared so far.

Firstly could I suggest that greater emphasis be given to the growth of self-employment over the last 5 years and the opportunities it offers for inner city residents to overcome the lack of alternative opportunities and create new businesses with potential for creating wealth and jobs for other residents. Furthermore we should note the 'second generation effects' of this growth in self-employment on the children (and indeed relatives) of the self-employed as research suggests they are much more likely to become self-employed also.

Secondly, the report might say rather more about the potential offered by tourism to regenerate inner city areas. The creation of tourist atttractions in those cities with an appropriate heritage or suitable potential serves to bring in more people and increase expenditure on local goods and services. In the case study of Leeds and Bradford, there is brief mention of tourism in the Bradford case, but the report needs to bring out rather more the impact recent initiatives are having on that city and the tourism potential in other urban areas.

Thirdly the section of the Manpower Services Commission's efforts to focus its programme on the needs of ethnic minorities mentions "motivation and training" but omits reference to DE and MSC activities to encourage new business amongst ethnic minorities, including our efforts as part of the Home Office Ethnic Minority Business Initiative. This could usefully be included.

Finally - a minor point - the list of target areas currently omits the South West of England and I suggest we should consider Bristol.

I welcome the outline proposals for presentation of the Governments approach to the inner cities, which will do much go get across our achievements. I believe this Department's experience of the "Action for Jobs" programme is valuable in this respect and my officials would be pleased to pass on our experience to the officials preparing the report.

We look forward to receiving a copy of the final report. In the interim our officials will be pleased to talk further to Cabinet Office officials and to provide any further material on our activities as may be required. Copies of this letter go to the members of E(UP) and to Sir Robert Armstrong.

JOHN COPE
August 1987

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

B/F Friday

Nigel Wicks Esq
Private Secretary to
The Prime Minister
10 Downing Street
LONDON
SW1A 2AA

B/F Tues 4 discuss with MGS

18 August 1987

Dear Nigel,

THE PHOENIX INITIATIVE

Thank you for your letter of 6 August. I am sorry to have missed your deadline, but I wanted to clear this letter in draft with my Secretary of State who is in Scotland.

The Phoenix initiative had its origin with a report commissioned by the Building Material Producers "The Phoenix Partnership - Urban Regeneration for the 21st Century", which drew on American experience of combining private and public resources in urban renewal. Sir Colin Corness brought together a group of people from the construction and institutional investment fields to promote these ideas. He discussed this with both Mr Kenneth Baker and Mr John Patten on a number of occasions and they warmly endorsed the need to encourage private sector investment in the inner cities, which of course was already a strong theme in this Department's urban programmes, including the Urban Development Grant and the Urban Development Corporations.

From the start, we encountered some difficulty in reconciling support for Phoenix as a private sector promotional body with the much wider role that Sir Colin Corness envisaged for Phoenix. He wanted it to act as a quasi-Government agency, and to be both the primary source of advice to Government on urban renewal and the principal channel for Government funding of renewal projects. Ministers made it clear that a single self-appointed private sector body could not properly have that role; but Sir Colin has never fully accepted this.

Despite these initial differences of perception, the Phoenix initiative was launched in July 1986 and I enclose copies of the Press Notices issued at that time both by DOE and by the Building Material Producers acting on behalf of Phoenix.

Ministers decided that we should not fund directly the Phoenix organisation, which was to remain a private-sector led and financed organisation. But we helped in three ways:

100% RECYCLED PAPER

(1) We seconded a Senior Executive Officer to act in effect as office manager (at present Phoenix has only 2 or 3 other staff, including the Chief Executive who is on secondment from Shell).

(2) We agreed that two Under Secretaries (from the Inner Cities and Construction Industries Directorates) should attend meetings of the Phoenix Board, chaired by Sir Colin Corness, to help guide the new body in its early days.

(3) We agreed to help fund the first feasibility study by consultants commissioned by Phoenix (of renewal opportunities in Manchester) with a grant of up to 40% of the cost, subject to a limit of £40,000.

The SEO is still on secondment to the Phoenix office and the two Under Secretaries have attended Board meetings regularly. There has been some difficulty in settling the contribution to the first feasibility study, and special authority has had to be sought from the Treasury. But my Secretary of State has assured Sir Colin that the promised contribution will be made (subject to the usual production of invoices etc).

More recently Phoenix suggested that the Department might take space on a display stand which Phoenix is proposing to mount, with the Prince of Wales' Inner Cities Trust, at the Interbuild Exhibition at Birmingham in November, and we have agreed. Phoenix has asked for £10,000 from us, and detailed arrangements are now being worked out.

Sir Colin Corness has, however, persisted in pressing his original conception of Phoenix's role as the Government's principal agent in urban renewal and in asking for special financial assistance or preferential treatment in its applications for Government grants.

Sir Colin met my Secretary of State and Mr Trippier on 15 July. Following that my Secretary of State wrote to Sir Colin to spell out what role Phoenix can and cannot fulfill and what kind of financial support the Department is and is not able to provide. I enclose a copy of that letter.

Both before and at the meeting on 15 July, and again following Mr Ridley's letter, Sir Colin has told Ministers that he will disband Phoenix unless they endorse the kind of role that he envisages and give Phoenix preferential treatment and funding. Mr Trippier and our Permanent Secretary have spoken to him in the past few days to urge him not to take precipitate action and to emphasise Ministers' continuing support for the positive role that Phoenix can have in promoting private sector interest in urban renewal.

This is 100% recycled paper

These efforts appear to have been successful. We understand that, at a private Board meeting a few days ago, Phoenix decided to persevere with its work. Ministers are to meet Sir Colin in September. We shall use this opportunity to emphasise Government support for Phoenix, but to stress that it should operate in the private sector and finance its operations through private sector sources.

Yours sincerely,
Robin Young.

R U YOUNG
Private Secretary

This is 100% recycled paper

DEPARTMENT OF THE

ENVIRONMENT

NEWS RELEASE

415 30 July 1986

GOVERNMENT WELCOME FOR PHOENIX INITIATIVE

Nicholas Ridley, Secretary of State for the Environment, today welcomed the launching of the Phoenix initiative, which will promote private sector participation in urban regeneration.

He said: "John Patten and I strongly support this initiative by Sir Colin Corness and his colleagues. The positive involvement of the private sector in the task of regenerating and improving our cities is at the heart of the Government's policies to tackle these deep-seated problems.

"The policy instruments that we have developed over the last seven years - Enterprise Zones, Urban Development Grant, Urban Development Corporations, and the proposed Urban Regeneration Grant - have as their central purpose stimulating and supporting private sector investment in hard pressed urban areas.

"Much has been achieved. Much remains to be done. There is immense scope for Phoenix to draw together the practical aspects and promotion of private investment, working in partnership with local authorities and other local agencies. I wish Phoenix every success."

John Patten, Minister for Housing, Urban Affairs and Construction, will keep closely in touch with Phoenix. The Department will be represented at official level on the Steering Group.

Press Enquiries: 01 212 3492 or 4682/3/4
(out of hours: 01 212 7132)
Public Enquiries: 01 212 3434
(ask for Public Enquiries Unit)

National Council of Building Material Producers
10 Great George Street London SW1P 3AE Telephone 01 222 5315 Te ex 23636 BMEG G

Press Release

BMP

30th July 1986
1625/80

For immediate release

THE PHOENIX INITIATIVE

A Private Sector Initiative for the Inner Cities

A new initiative to stimulate urban regeneration is launched today. Called the Phoenix Initiative its aim will be to promote public and private enterprise in urban renewal and regeneration and to provide a focus of Private Sector advice to Ministers on Urban Regeneration.

The Initiative, with a Sponsoring Board under the Chairmanship of Sir Colin Corness and drawn from a broad spectrum of the public and private sectors, will promote activity and enthusiasm at a local level, help put together schemes and encourage initiatives. It will seek to advise and stimulate local authorities and developers. It will draw together and cooperate with the Private Sector initiatives already underway and will be a prime source of advice to the Department of the Environment on the practical aspects of the Private Sector's involvement in urban regeneration.

Phoenix will work closely with the Department of the Environment, which will be represented on the Sponsoring Board. The Initiative also has the enthusiastic support of a broad spectrum of the private sector as well as of public bodies. A Senior Executive from Shell UK, Christopher Ledger, is being seconded as Chief Executive.

cont/....

Taking as one of its blueprints for action the report "The Phoenix Partnership - Urban Regeneration for the 21st Century" published by the National Council of Building Material Producers, The Phoenix Initiative will be looking to work with the full spectrum of national and local political parties and aim to bring together public and private resources for urban projects. There are already many exciting, effective schemes underway in the inner cities and The Initiative will not displace these - rather it will seek to support, advise and enhance them.

The Phoenix Initiative is non-party and will work with individual local authorities, economic and social groups of whatever political persuasion as well as with Government Departments. In particular, it will work in partnership with individual local authorities using their land assembly powers where required on specific projects.

It will promote the initiatives proposed under the new Housing and Planning Bill and use the existing and proposed grant system. In addition, it will study the present arrangements on funding, land assembly and other matters.

The Phoenix Initiative will be based at St Katherine's Dock, itself a prime example of what can be achieved by imaginative planning, co-operation and private sector finance.

Notes for Editors

1. Further copies of 'The Phoenix Partnership - Urban Regeneration for the 21st Century' can be obtained from Sandra Brenner at BMP (01-222 5315)

2. For further information
   Sandra Brenner - 01-222-5315
   Chris Ledger - 01-257-3368

Attached is a list of the members of the Sponsoring Board.

THE PHOENIX INITIATIVE

THE SPONSORING BOARD

Chairman: Sir Colin Corness	-	(President National Council of Building Material Producers) Chairman Redland PLC.
Bryan Baker	-	(Vice President National Council of Building Material Producers) Group Managing Director Tarmac PLC.
John Brown	-	(President British Property Federation) Managing Director Peachey Property Corporation.
Patrick Dawnay	-	(Member Urban Investment Review Group) Director Morgan Grenfell & Co Ltd.
Tim Melville-Ross	-	(Chairman Urban Investment Review Group) Chief Executive Nationwide Building Society.
Tony Pelling	-	Under Secretary (Construction Industry) Department of the Environment.
Eric Sorensen	-	Under Secretary (Inner Cities) Department of the Environment.
Norman Wakefield	-	(Chairman Working Party of Building Employers Confederation) Chairman and Chief Executive Y J Lovell (Holdings) PLC.

Chief Executive

Christopher Ledger	-	Shell UK

SECRETARY OF STATE FOR THE ENVIRONMENT

1 PS/Mr Waldegrave
2 PS/Mr Trippier
3 PS/Sir T Heiser
4 Mr Relafous
5 Mr Fletcher
6 Mr Pelling
Mr Parker
Mr Pamcay

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

14375

23 July 1987

Sir Colin Corness
Chairman
Redland Plc
Redland House
Reigate
Surrey
RH2 OSJ

Dear Colin

I was grateful to you and Mr Ledger for coming to see David Trippier and I, with our officials last Wednesday. Following our meeting I think it is important that we should establish more clearly the role that Phoenix can usefully play and in particular the circumstances in which urban regeneration grant may be payable.

In the press notice that the Department issued a year ago, I said that I welcomed the launch of Phoenix as a means of promoting private sector participation in urban regeneration. I confirm that I endorse this promotional role which I am sure can help to mobilise private sector interest and resources in tackling the enormous task of urban renewal.

It is, however, essential that Phoenix should operate and be recognised as a private sector led initiative and not as an agency of Government. It is important that it should be seen to be funded at both national and local level by the private sector and not be dependent in any way on Government finance. If its efforts are successful it should help to open up new opportunities for profitable private sector investment, and I would hope that the development and investment industries will continue to support it because it is seen to be doing useful work.

Phoenix itself, of course, is not a developer and therefore will not be eligible for Urban Regeneration Grant which is payable direct to the developer or group of developers undertaking particular projects. Nor should Phoenix be represented in any way as the channel for such Government funding, although Phoenix may be able to help developers in working up their projects and grant applications and in stimulating further interest in the development of the area.

I have looked carefully at the question of funding of feasibility studies, which you raised with me at our meeting. We are able to take account of such preparatory costs in deciding the grant required for both URG and UDG. But since the grant is payable to the developer, it must relate to costs incurred by the developer. Insofar as Phoenix undertakes part of that work in relation to a specific project or group of projects, it will need to make arrangements with the developers to reimburse its costs.

Where Phoenix undertakes the more exploratory type of feasibility study, before any specific projects or developers have been identified, it will need to draw primarily on its own sources of funds. The Department may be able to make a contribution to such expenditure in one of two ways:

First, by taking account of that expenditure retrospectively if the work leads to a successful grant application and the developer meets part or all of the costs that Phoenix has incurred.

Second, exceptionally, by making a contribution direct to Phoenix in commissioning such work. But in that case it will be essential to agree beforehand the scope and objectives of the study and the estimated cost, before any work is undertaken or liabilities incurred: necessarily the normal requirements as to financial control, competitive selection of consultants and payment of accounts etc must be met.

As regards the commitment to contribute up to £40,000 to the initial feasibility study, there has never been any question of withdrawing from that agreement. It is, however, the first time that such a payment has been offered to a private sector body of this kind and there are no specific powers enabling such payments to be made. It has to be a charge to our Administration Vote as a "consultancy" and for that purpose it has to be properly validated. This is what has caused the difficulty but I have given instructions for it to be settled as soon as possible.

I am sorry if you feel that these requirements are bureaucratic, but the fact is that there are strict rules about the use of public funds and accounting for monies voted by Parliament. We are subject to audit like anybody else.

However I hope this makes the position clear and that Phoenix will be able to continue its work of promoting redevelopment of the Cities.

Yours ever

Nicholas

NICHOLAS RIDLEY

REG POL: Inner Cities Pt 10

BIC Board
28/8

ECL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

17 August 1987

DTI ringing back 1/9

In typing. Shd have by end of week.

The enclosed paper on business in the inner cities was prepared by Stephen O'Brien of BIC at the Policy Unit's request. Para 78 on page 20 suggests that the Prime Minister might wish to launch the programme with the BIC Board in September. I should be grateful for your advice on whether this is the sort of thing the Prime Minister should try to fit in. It would be helpful if this could reach me by the end of the month.

P.A. BEARPARK

Paul Steeples, Esq.,
Department of Trade and Industry.

Robert Atkins
DTI : 215 5186

ECL

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GWYDYR HOUSE
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Tel. 01-270 3000 (Switsfwrdd)
01-270 0538 (Llinell Union)
Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switchboard)
01-270 0538 (Direct Line)
From The Secretary of State for Wales

The Rt Hon Peter Walker MBE MP

CONFIDENTIAL

14 August 1987

UDC FINANCIAL LIMITS BILL

Thank you for copying to me your minute of 30 July to the Prime Minister.

I agree that the present acceleration of spending by UDCs necessitates a move away from the present system of continual recourse to primary legislation to authorise increased spending. I am content with the solution you propose including the initial limit of £30 million on all borrowing with the ability to move to £100 million subject to affirmative procedure.

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

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment

CONFIDENTIAL

CCBG

2

PRIME MINISTER

INNER CITIES

ATTACHED

1. Several colleagues have referred to education in commenting on the interim report circulated with E(UP)(87)3. I think it is important that education should feature strongly and positively in the final report. Since the first meeting of the Ministerial Group I have been considering practical measures which the education service could undertake as part of our new initiative. The interim report offers a valuable starting point: but I believe that it underestimates what education can contribute to our objectives.

2. There is serious under-achievement in inner city schools. As a result, many young people become disaffected adults with poor employment prospects. The problem is particularly acute within some of the ethnic minority groups. Our measures to improve the quality of education generally will help in time, but we need to target help soon and more effectively. City Technology Colleges will be an important element in our strategy by developing in employers and parents a new commitment to education for a technological society. In my plans for CTCs, I shall want to give priority to the areas most at risk. As you have recognised, encouraging parents and local communities to take advantage of our opt-out proposals for schools will also be a new and powerful stimulus.

3. In addition I have asked the Department to produce proposals on the following:

- to get more and better teachers into the worst inner city schools.

  It is increasingly difficult to recruit good heads and other teachers to work in inner cities. Targetted

education authorities could be given extra funds to pay for a package of measures to ease their recruitment difficulties, and perhaps to encourage more teachers to live within the area served by the school. Selected training institutions could also be asked to produce plans for establishing teacher training units in inner city areas.

- to reduce truancy and increase community involvement.

  Measures to raise standards and improve teaching will help, but extra education welfare officers are needed in selected schools to check up on absentees and try to produce a permanent improvement in attendance. We also need to encourage more schools in inner city areas to offer a focus for community activity and increased parental involvement.

- to raise standards in secondary schools.

  Pilot projects in selected urban primary schools are already producing encouraging results. These inject into schools at risk small task groups to enable schools to increase pupil performance, raise parental involvement and reduce truancy.

- to provide additional careers guidance in schools and further education colleges, and through the youth service.
  We need to enhance the services available, in particular to ensure that pupils in the 4th and 5th years receive work experience.

- to offer residential courses with outdoor activities for inner city children.

  The experience of living away from home and taking

part in outdoor activities has been shown to be beneficial. Many education authorities provide some opportunities, but we could expand the provision for inner city children at relatively modest cost.

4. Apart from these measures aimed at schools, we also need to give attention to those who have left school and are at risk of delinquency and drug abuse. We can use the talents of local people, black and white, with the potential to help their communities, by offering them training leading to a professional qualification as youth leaders. Such schemes would help to motivate local young people and in the longer term would provide more effective youth work in the areas concerned. At the same time an increase in the number of trained youth workers in targetted areas would enable the youth service to do more in contacting young people at risk.

5. You have rightly placed emphasis on encouraging local initiative and enterprise by both business and individuals. The education service can help here too. In adult education:

- The new Regional Technology Centres are partnerships of colleges, universities and employers. They are jointly funded by the Education Departments, DTI and MSC. Seven are established so far: I plan at least 12. Their task is to encourage new enterprise and keep existing industry competitive: increasingly they will need to revitalise industry and commerce in the inner cities.

- Adult literacy and numeracy: Many of the long-term unemployed, especially those whose mother tongue is not English, need basic education before they can start more specific job-related training. At present some 100,000 people a year in England and Wales attend courses - against an estimated 5 million adults with literary or numeracy problems. We must exploit existing facilities (colleges, public libraries etc) and existing experience more intensively, reinforcing them by computer and audio-visual technology.

- REPLAN: a £4m DES programme which coordinates local activities with the aim of reintroducing the unemployed to education, rebuilding their confidence and encouraging their initiative. The programme is operating in all but 3 LEAs which are, or include, Urban Programme authorities. Its effectiveness is being assessed in order to inform a decision on its continuance beyond 1989, but evidence so far is of success in changing attitudes both of the education service and, so far as can be judged, of students.

6. I will be letting the Cabinet Secretary have further details of the range of measures to involve schools, teachers, further and adult education and the local community that I have outlined above. Some of these proposals will not need additional resources. But it would be unrealistic to expect that redirection of existing funding would suffice in all cases, even with all our efforts to involve the private sector. I shall be discussing the need for some additional resources with John Major in September. We also have in the Urban Programme a tailor-made vehicle for targetting resources, though it will probably need some shift of priorities in order to get the balance right, for example, to reflect some of the priorities which the Chief Secretary has suggested in his minute to you of 31 July.

7. I am copying this to colleagues on E(UP) and to Sir Robert Armstrong.

KB.

KB

Department of Education and Science

11 August 1987

file CO

PROFESSOR GRIFFITHS (on return)

The Prime Minister's weekend box contained a number of papers submitted by the Policy Unit.

It may be helpful if I list these.

Inner Cities

A Policy Unit paper
A paper on Business in the Community
A paper on the Dean Clough Industrial Park, Halifax

Housing

Housing in Glasgow
Housing Policy Successful Implementation

Enterprise

Enterprise on Council Estates
Community Enterprise in Scotland

Welfare

Rolling Back Welfare Dependency

Privatisation

Water Privatisation

The Prime Minister has commented that, interesting as these papers are, there is a good deal of overlap between them. If Ministers are to consider the points they raise, the discussion will need to be focussed and based on a document which distills the key issues and proposals. She would therefore be grateful if you would provide such a composite note for consideration in September.

You may like to know that the Prime Minister was impressed with the paper by Stephen O'Brien. She has noted the invitation on page 20 of the paper to launch the programme Mr. O'Brien describes. The Prime Minister will need to consider this at a diary meeting early in September and we will approach DTI for advice accordingly.

The Prime Minister has expressed an interest in visiting the Dean Clough Industrial Park, though we shall need to look at this in the light of her programme of Regional Tours, of course. She has asked if there is anything like the Halifax Park in other parts of the country, for instance in the North East. I should be grateful for a note.

Confidential Filing hold the copies of the papers submitted, if you want to see the Prime Mininster's annotations on them.

MARK ADDISON

10 August 1987

LO6ANA

File JA

CONFIDENTIAL

cc BG

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

10 August 1987

UDC FINANCIAL LIMITS BILL

The Prime Minister has seen your Secretary of State's minute of 30 July. The Prime Minister is content with your Secretary of State's proposals to alter the financial limits for UDCs.

I am copying this letter to the Private Secretaries to other members of E(A) and to Trevor Woolley (Cabinet Office).

(M.E. ADDISON)

Robin Young, Esq.,
Department of the Environment.

CONFIDENTIAL

file K

cc BS

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

7 August 1987

Dear Philip

Inner Cities : Interim Report

The Prime Minister has seen the Home Secretary's minute of 6 August, which she has noted without comment.

I am copying this letter to the Private Secretaries to members of E(UP) and Sir Robert Armstrong.

Yours ever

Mark Addison

(MARK ADDISON)

Philip Mawer, Esq.,
Home Office.

SR

Prime Minister (2)

MEA 6/8

Prime Minister

attached

INNER CITIES: INTERIM REPORT

I have read with great interest the interim report circulated with E(UP)(87)3, and your own and other colleagues' comments on it. I look forward to seeing the final report after the summer break.

2. Like John Major, I hope that in working up the final report the Cabinet Office will be able to set out more specifically the objectives of the priority action programme. I would also like to see a clearer indication of what the arrangements might look like on the ground and what might be the lines of communication between the target areas and Central Government and between local offices and local services in the areas themselves. The significance of the voluntary sector could be brought in here; and more should be said about how we intend to mobilise not only organisations and institutions but also the individual active citizen, where necessary going past the local authority or supplementing its activities. This picks up (c) in the annex to Mr Norgrove's minute of 31 July.

3. The themes set out in paragraph 5 of the main report rightly include the reduction of crime and fear of crime. I would like to extend that reference to include public disorder about which I wrote to you on 28 July. Chief Constables have emphasised the link which they see between the risk of widespread public disorder and the success or otherwise of the social and economic policies discussed in the report. I fully support and welcome what Kenneth Clarke has said about the police and the local community in the Task Force areas in his letter to me of 3 August.

/4.

4. I would also like the final report to recognise more explicitly the position of ethnic minorities. They are disproportionately represented in Inner City areas and it is particularly important that they should not be excluded from the benefits of our policies or feel themselves to be so. They must share fully in the new spirit of self motivation and enterprise if we are not to increase social divisions and the consequent risk of disorder.

5. I have been giving a great deal of thought with John Patten since the election to ways in which we could step up our efforts to reduce crime and increase confidence, both for their own sake and as a contribution to the Inner Cities programme. We have a sound basis of experience and ideas, some of them resulting from the No 10 seminar which you chaired last year, and we are now ready to move forward. We have been working up what we are beginning to call a "Safer Cities" programme, to operate in selected areas similar in number to those suggested for the priority action programme for Inner Cities and perhaps coinciding with them. The programme would be based firmly on the principles of self-motivation and enterprise set out in the interim report, and on breaking the dependency culture ((b) in Mr Norgrove's minute). The two programmes would effectively complement and reinforce each other. Each of the Safer Cities areas would have a Home Office-funded local co-ordinator with the task of preparing a local action plan to meet local needs and based on existing experience and best practice; he or she would then co-ordinate implementation of the plan by the relevant services or voluntary agencies and measure its effects. His task, and the test by which he would be judged, would emphatically be to stimulate effective action and certainly not to introduce extra bureaucracy. The scheme would be a natural development of our existing "Five Towns" project.

/6.

6. The police would be fully involved but would not themselves be in the lead. Local plans would almost certainly involve a review by the Chief Constable of the way in which police are deployed, especially to improve order and protection on difficult estates. The areas chosen would in many instances be those where the policing arrangements are specially tailored to meet the severe problems of crime and public disorder which arise there. I do not at this stage propose to bid for a further national increase in police numbers on account of the programme. Part of the message, which we have emphasised before and to which the police themselves attach great importance, is that the task cannot be left to the police. As Kenneth Clarke has said, it is a much wider responsibility.

7. For this reason I hope that the schools would also be involved, in curbing criminality as well as in good works. I see this whole programme as designed to improve social controls as well as social conditions. This balance has to be struck throughout.

8. I am separately preparing a scheme for the National Crime Prevention Organisation which we promised in the Manifesto. As a national and voluntary organisation it would be quite distinct from the Safer Cities initiative which would be a Government programme focussed on specific areas. But the two initiatives would be related and members of the National Organisation would work closely with the co-ordinator in areas where Safer Cities operated.

9. Both the National Organisation and Safer Cities will require extra funds and I will need to make a PES bid. I do not want this minute to anticipate the discussions I will be having with John Major, but Safer Cities would fit in very well with the

/priority

priority action plan proposed in the interim report and would be an important contribution to it. It would also fit in well with many of Hartley Booth's proposals in his paper on Crime Prevention/Third Term. I hope I can complete my discussions with John Major in time for the programme to be announced as part of the authoritative statement of Government policy in the autumn.

10. I look forward to resuming our discussion in September. I am copying this minute to other members of E(UP) and to Sir Robert Armstrong.

Douglas Hurd.

6 August 1987

CCBG

MEA seen 7-8-

NBIM.

PAYMASTER GENERAL

Treasury Chambers, Parliament Street, SW1P 3AG

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

6 August 1987

Dear Nicholas.

UDC FINANCIAL LIMITS BILL

You wrote to the Prime Minister on 30 July seeking approval to a Bill to alter the financial limits for UDCs. I am replying on John Major's behalf, as he is on holiday.

Given the expansion of UDC activity, I agree that continuing to subject grant-in-aid as well as UDC borrowing to a statutory limit is undesirable. I am satisfied that, if the limit ceased to apply to grants, adequate controls over UDC expenditure would be maintained through external finance limits and Supply Estimates - which will continue to provide the opportunity for Parliamentary scrutiny.

Many other grant-in-aid bodies have statutory limits confined to borrowing, as this element is not voted by Parliament. It seems sensible for the UDCs to be brought into line. I am therefore content that a new statutory limit should be set - to apply only to aggregate borrowing outstanding by UDCs and to sums issued by the Treasury in fulfilment of guarantees.

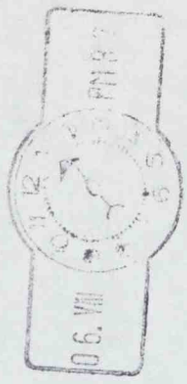
The limits you suggest appear reasonable given the low level of borrowing by UDCs to date and the need to anticipate possible future borrowing requirements. I therefore agree that you should seek a £30 million initial limit, and provision to increase the limit to £100 million subject to an affirmative resolution in the Commons.

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

Yours ever

Peter

PETER BROOKE



REGIONAL POLICY

INNER CITIES

PTTO

FLE
8/71
HB

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

6 August 1987

Dear Robin,

THE PHOENIX INITIATIVE

As I told you on the telephone this morning, the Prime Minister takes a close interest in the progress of the various private sector initiatives which aim to help the regeneration of the inner cities. One such enterprise is the Phoenix Initiative.

I believe that this Initiative was originally well received by your department; for example, in your Secretary of State's statement of 30 July 1986 and in his speech to the BMP lunch on 22 April 1987. However, I understand that certain difficulties havenow arisen between the department and the Phoenix project and that those responsible for running the Initiative do not believe that they are receiving the degree of co-operation which they might expect for a project which is so clearly designed to carry through the Government's objectives.

I would like to be able to put a report to the Prime Minister on the department's involvement to date with this Initiative and on its plans for helping it carry forward its work. Please could I have this by 13 August.

I am sending a copy of this letter to Timothy Walker (Department of Trade and Industry).

Yours ever,

Nigel Wicks

N. L. WICKS

Robin Young, Esq.,
Department of the Environment

Cite SR

MR. HARTLEY BOOTH

I have spoken to Mr. Ridley's Private Secretary, Mr. Robin Young, about the Phoenix Initiative. As a result, I think that the best way of progressing matters is for me to send the letter attached to the department, trying to smoke out from them what the position is. I have not, at this stage, sent them copies of the two Phoenix papers, headed "Progress to Date" and "Minimum Requirements" because I fear that anyone hostile to the Initiative in the DOE could find 'technical reasons' why the Initiative cannot have what it wants.

I have asked Mr. Addison, in my absence, to keep a close eye on this.

N. L. WICKS

6 August 1987

SL3AWZ

CF

Nigel W. has with to Robin Young etc. To await RT's reply. MOA 7/8

THE PHOENIX INITIATIVE

MINIMUM REQUIREMENTS

1. We need renewed, specific agreement to our terms of reference, ie. that the Department supports the setting up of local Phoenix organisations and that senior officials at regional level will be encouraged to actively participate in them.

2. A general attitude of support and a defined, preferential route to enable the Initiative to smoothe the path for government funding across the whole spectrum - not just from the Department of the Environment.

3. Agreement to local Phoenix organisations approaching local authorities for revenue support through the urban programme (the Department meets 75% of UP expenditure). Naturally it is accepted that most of the revenue costs of local organisations will be covered by private sector fund raising activities and secondments.

4. Exceptionally, that the Department will consider direct revenue support to local partnership organisations where the local authority refuses to co-operate, but only where the application is supported by the regional office.

5. Agreement to the inclusion of the costs of assembling URG packages in the URG application. Payment of such costs via the developer to be conditional inter alia on the sucess of the application, otherwise such costs to be met from the local Phoenix's private resources.

Most of the above may not be ruled out by Mr Ridley's letter, but we must have unambiguous agreement from Ministers.

THE PHOENIX INITIATIVE

PROGRESS TO DATE

Phoenix is a non-profit making company

limited by guarantee

Chairman - Sir Colin Corness (BMP & Redland)

Chief Executive - Christopher Ledger (Shell)

Founded 1.9.86

1	2	3	4	5	6
What was happening before	Phoenix areas	Present position	Contractors involved	What Phoenix needs from Government	Comments
Manchester					
G-Mex rehab. completed. Redevelopment of the Refuge building under consideration.	Whitworth St. Corridor (34 acres).	URG application submitted and under assessment by the DOE. £17.5m grant. £46m private investment - grant request for negotiation. This application and the re-establishment of confidence has led to other privately funded schemes coming forward.	12 developers / builders including Wimpey, Bellway & Norwest Holst (see annex).	Rapid processing of URG application.	The Whitworth St. scheme is the largest privately led area renewal scheme in the country. Manchester Phoenix has raised £95,000 from the private sector to date with more to follow. It awaits a further £40,000 promised from the DOE to fund its consultants and running costs.

1	2	3	4	5	6
	The Piccadilly village canal basin site (25 acres).	Provisional application is under discussion with the Department.	Balfour Beattie & AMEC amongst others have shown interest in the site. Discussions are continuing to obtain the best deal.		
	Gaythorne gasworks site (15 acres).	Owners brought together by Phoenix. Discussions with developers continuing.			
Salford					
Council-led renewal of Manchester docks (now Salford Quays) begun.					
Nothing.	Lower Kersal (15 acres). Rehab. of 9 deck access blocks for students and others.	The Council strongly support Salford Phoenix's marketing role. They now wish to collaborate on area renewal schemes using URG. The Lower Kersal scheme will involve approx. £6.5m of private sector investment.	Salford Phoenix has approached by all the major contractors including Wimpey, Laing and Tarmac who are very interested.	£300,000 government grant required to cover the cost of demolishing 3 wrecked deck access blocks.	The Salford Phoenix is concentrating on local contractors as far as possible. Tremendous goodwill has been engendered locally. Phoenix are using P.R.O.B.E. because the Initiative is housing-led. Mr Trippier was briefed last Monday by the Chairman.

1	2	3	4	5	6
Nothing.	Cawdor Street. Acme Mill. (7 acres in total). Both sites to be used for private housing.			No grant required at this stage.	
Nothing.	Managed workshops, Kent Street.		Potential operator to be interviewed next week.		
					A major charity (the Mountbatten Trust) has now decided to locate in Salford as a result of Phoenix's activities.
Bristol					
Redevelopment of Bristol docks begun.					
	City docks, Sth Bristol, Templemeads, Avonmouth and Portbury.	Great local interest. G McWatters, Chairman of HTV has agreed to serve as chairman of Bristol Phoenix. Consultants comissioned to provide overview of development potential in specified areas. 1st Board Meeting in September.	ETPG are acting as our consultants. They have been privately funded. BEC are providing accommodation & secretarial facilities. Keen initial support from local banks and building societies.	Nothing as yet. Bristol may be able to fund all its activities through the private sector.	Bristol Council when presented with a united front from the private sector, have offered their help. Their officers are currently working with our consultants.

1	2	3	4	5	6
The Wirral					
Nothing.	Firstly New Brighton, then Birkenhead.	Strong support from Lynda Chalker, the Council and the Chamber of Commerce. Alf Gibb, of Marconi UWS has agreed to serve as Chairman of the Wirral Phoenix. The Merseyside Task Force are endeavouring to find a Chief Executive from the private sector.	L & R Leisure Consultants - the country's leading firm in this field has done preliminary work for Phoenix on tourism issues.	Nothing yet. Some grant may be necessary to cover the cost of feasibility studies.	Great enthusiasm has been generated locally in the press. The Council and local firms like Marconi and Cammell Laird are keen to participate. The Initiative will start by trying to revive tourism in the Wirral area - particularly - New Brighton.

In addition to these major areas, Phoenix has had discussions with local authorities and private sector interests throughout the country. There has been a considerable change in the attitude of left-wing councils towards participation with the private sector over the past few months, coupled with many declarations of trust and support in Phoenix and its independent, catalytic role. In Phoenix's view there is every chance of establishing effective public/private partnerships in many areas, the most promising so far being Wolverhampton, Coventry and Sheffield.

THE MANCHESTER PHOENIX

Scheme No See Plan	Scheme Name	Developer	Outputs	Total £M Investment	Private	Public	Gearing	Remarks
1.	Trafford Street	Moorhouses	*Public House & Wine Bar	Figures awaited				
2.	Albion Wharf	ICE	*8700 sq ft showroom/offices 11000 sq ft Restaurant/studios	1.56	1.1	.46	1.24	
3.	8-12 Chepstow St	Bellway Urban Renewals Ltd	*150 study bedrooms	2.6	1.73	.87	1:2	Assumes Licence Agreement with City for VAT
3.	Havelock Mill	Bellway Urban Renewals Ltd	*90 Flats, Public House 9700 sq ft commercial	3.7	2.45	1.25	1:1.96	
4.	101 Princess St	Fact Focus	*42000 sq ft refurished offices to let	2.0	1.2	.80		[These two schemes essentially by [same developer "If we get help [with Princess St, will proceed
4.	Palace Hotel	Oakland House Developments	*136 bedrooms 3 Star Hotel + 3 shops	5.05	5.05	-	1:66	[Palace" Hotel operator identified [(Novotel Group)
5.	Refuge Centre (Commercial)	Scorefell (+ Partners)	*48800 sq ft offices, 16000 sq ft studios 9700 sq.ft. banqueting	4.78	3.18	1.6	1:98	
5.	The Refuge (Concert Hall)	Scorefell (+ Partners)	*2300 seat Concert Hall	22.39	13.39	9.0	1:1.48	
6.	Lancaster House	Norwest Holst	*81600 sq.ft. offices	4.55	3.06	1.49	1:2	
6.	Bridgewater House	Norwest Holst	*Refurbishment of remaining 50000 sq.ft.	.25	.25	-		
7.	Royal Bank 65/66 Whitworth St	Royal Bank of Scotland	*Refurbished Bank Hall *Ditto Three upper floors	1.00	1.00	-		
8.	Central House	Charles Topham Developments	*72 flats	2.17	1.58	.59	1:27	
9.	The Doge	Petros/CIS		Figures awaited				
10.	Granby Village	Wimpey Homes	*178 flats 44000 sq.ft. offices 11000 sq.ft. retail	16.52	11.29	5.23	1:2.15	
11.	Dominion House	Coralwood (+ Partners)	*26000 sq.ft. offices	1.00	.75	.25	1:3	
12.	Asia House	AMEC		Figures awaited				
				67.57	46.03	21.54	1:2.14	

The assistance is sought in the form of an outright Grant.

CASCO

Extracts

From

SPEECH

FOR

SECRETARY OF STATE

FOR THE

BMP LUNCH

ON

22 APRIL 1987

... FOR EXAMPLE, WHEN YOU TOOK THE LEADERSHIP OF BMP'S PHOENIX INITIATIVE YOU DID NOT SEEK THE EASY WAY OUT BY ASKING FOR MASSIVE GOVERNMENT FUNDING, BUT ASSUMED THE FINANCIAL AND THE LEADERSHIP ROLE YOURSELF. AS A RESULT, YOU NOW HAVE AN EFFECTIVE AND LARGELY SELF-RELIANT VENTURE. YOU KNOW THE GOVERNMENT'S COMMITMENT TO URBAN RENEWAL, AND I COMMEND YOU FOR YOUR PERCEPTION IN SEEING THAT OUR URBAN DERELICTION IS NOT ONLY A PROBLEM BUT ALSO AN OPPORTUNITY FOR THE CONSTRUCTION INDUSTRY...

... THIS PATRONISING ATTITUDE ONLY RESULTS IN A HIGH LEVEL OF USER DISSATISFACTION. THAT IS ALSO WHY IT WAS SO RIGHT THAT PHOENIX SHOULD HAVE BEEN A PRIVATE SECTOR INITIATIVE.

SO AS 'GREEN FIELDS' GO UP IN PRICE, 'BROWN FIELDS' BECOME MORE ATTRACTIVE. THAT MEANS THAT THE INCENTIVES TO INVEST ON THE 'BROWN FIELDS' ARE IMPROVING ALL THE TIME AND WILL CONTINUE TO IMPROVE. LAST YEAR 47% OF ALL DEVELOPMENT TOOK PLACE ON RECYCLED OR ERSTWHILE DERELICT LAND. I AM EXPECTING THIS YEAR'S FIGURES SHORTLY AND I HOPE THEY WILL BE AT LEAST AS ENCOURAGING, IF NOT MORE...

THAT IS WHY PHOENIX MAY HAVE MORE POTENTIAL THAN EVEN YOU THOUGHT, SIR COLIN, WHEN YOU UNDERTOOK TO LEAD IT.

SO I SALUTE SIR COLIN'S VERY SUCCESSFUL PERIOD AS PRESIDENT AND HIS PIONEERING ACHIEVEMENT IN LAUNCHING THE PHOENIX INITIATIVE.

---

30 JUL 1986

GOVERNMENT WELCOME FOR PHOENIX INITIATIVE

Nicholas Ridley today welcomed the launching of the Phoenix initiative, which will promote private sector participation in urban regeneration.

He said:

"John Patten and I strongly support this initiative by Sir Colin Corness and his colleagues. The positive involvement of the private sector in the task of regenerating and improving our cities is at the heart of the Government's policies to tackle these deep-seated problems.

The policy instruments that we have developed over the last 7 years - Enterprise Zones, Urban Development Grant, Urban Development Corporations, and the proposed Urban Regeneration Grant have as their central purpose stimulating and supporting private sector investment in hard pressed urban areas.

Much has been achieved. Much remains to be done. There is immense scope for Phoenix to draw together the practical aspects and promotion of private investment, working in partnership with local authorities and other local agencies. I wish Phoenix every success."

John Patten, Minister for Housing, Urban Affairs and Construction, will keep closely in touch with Phoenix. The Department will be represented at official level on ~~a~~ Steering Group.

KL

PRESS REACTION TO LAUNCH

Urban regeneration project launched

BY ROBIN PAULEY

THE Phoenix Initiative to stimulate urban regeneration was formally launched with Government moral but not financial support yesterday under the chairmanship of Sir Colin Corness, chairman of Redland and president of the National Council of Building Material producers.

Sir Nigel Broackes, chairman of Trafalgar House, was involved in hte planning of the project and was expected to be its first chairman with Sir Colin as deputy chairman. The fact that neither Sir Nigel nor Trafalgar House now appear among the sponsoring board led to some speculation that he has withdrawn because of the refusal of the Government to inject any financial support.

The group has reverted to its planning title of Phoenix rather than the later idea of calling itself the National Task Force which would have confused it with the Government's inner city task forces among the plethora of organisations now involved directly or indirectly with urban regeneration.

The Phoenix hopes to promote public and private enterprise in urban renewal and to be the focus of private sector advice to ministers on urban regeneration. It also hopes to become the vehicle for the Government's new urban regeneration grants.

FT 31/7/86

Urban Phoenix rises from the ashes

Phoenix, the much heralded private sector development body has finally been given life with the creation of a permanent body to promote private/public sector initiatives.

Chris Ledger, a senior executive at Shell UK, has been seconded as chief executive for the Initiative, which is based at St Katherine's Dock in London.

He will head a team that will advise local authorities, developers and the Department of the Environment, as well as draw together and co-operate with private sector initiatives already underway.

The Initiative is a non party body which intends to work with local authorities using their land assembly powers on specific projects, promote initiatives under the new Housing and Planning Bill, and utilise the grant system.

Chairman of the Initiative's sponsoring board is Sir Colin Corness, chairman of Redland plc and president of the National Council of Builing Material Producers, whose vice president Bryan Baker, the group MD of Tarmac plc, is also a board member.

Other board members are John Brown, president of the British Property Federation and MD of Peachey Property Corporation and Norman Wakefield, chairman of the working party of Building Employers Confederation and the Chairman and chief executive of Y.J. Lovell (Holdings) plc.

The creation of the new body has been welcomed by the Building Employers Confederation.

Construction News 8/8/86

Action on city revival

By Christopher Warman
Property Correspondent

An initiative to stimulate the regeneration of Britain's cities by promoting public and private enterprise in urban renewal was launched yesterday with the full support of the Department of the Environment.

This private sector move, called the Phoenix Initiative, will also provide a focus of private sector advice to ministers on urban regeneration.

The announcement of the new venture came on a day when figures revealed that building firms in the South were reporting promising order books while firms in the North were at a low ebb.

The sponsoring board of the Phoenix Initiative, under the chairmanship of Sir Colin Corness, president of the National Council of Building Material Producers, aims to promote activity and enthusiasm at a local level, put together schemes and involve local authorities and developers. It will have a representative from the department and leaders from other fields.

It takes as one of its blueprints for action the report *The Phoenix Partnership — Urban regeneration for the 21st century*, published by the National Council of Building Material Producers, which advocates a partnership between public and private sectors, a nationwide programme of urban development action grants and the setting up of urban development corporations on the lines of the London Docklands Development Corporation where necessary.

TIMES 31/7/86

Phoenix takes off

A private sector initiative to stimulate urban regeneration was launched last week.

The announcement came from the National Council of Building Material Producers whose report *The Phoenix Partnership: Urban regeneration for the 21st century*, published last October, is one of the blueprints for action.

The aim is to promote activity and enthusiasm at local level, help put together schemes and encourage initiatives and advise and stimulate local authorities and developers. It is intended to draw together private sector initiatives already underway and advise the Department of the Environment on the practical aspects of the private sector's involvement in urban regeneration.

BUILDING TRADES JOURNAL AUGUST 7, 1986

National Council of Building Material Producers
10 Great George Street London SW1P 3AE Telephone 01 222 5315 Telex 23636 BMEG G

3/2.

Press Release

BMF

30th July 1986
1625/80

For immediate release

THE PHOENIX INITIATIVE

A Private Sector Initiative for the Inner Cities

A new initiative to stimulate urban regeneration is launched today. Called the Phoenix Initiative its aim will be to promote public and private enterprise in urban renewal and regeneration and to provide a focus of Private Sector advice to Ministers on Urban Regeneration.

The Initiative, with a Sponsoring Board under the Chairmanship of Sir Colin Corness and drawn from a broad spectrum of the public and private sectors, will promote activity and enthusiasm at a local level, help put together schemes and encourage initiatives. It will seek to advise and stimulate local authorities and developers. It will draw together and cooperate with the Private Sector initiatives already underway and will be a prime source of advice to the Department of the Environment on the practical aspects of the Private Sector's involvement in urban regeneration.

Phoenix will work closely with the Department of the Environment, which will be represented on the Sponsoring Board. The Initiative also has the enthusiastic support of a broad spectrum of the private sector as well as of public bodies. A Senior Executive from Shell UK, Christopher Ledger, is being seconded as Chief Executive.

Cont/

Taking as one of its blueprints for action the report "The Phoenix Partnership - Urban Regeneration for the 21st Century" published by the National Council of Building Material Producers, The Phoenix Initiative will be looking to work with the full spectrum of national and local political parties and aim to bring together public and private resources for urban projects. There are already many exciting, effective schemes underway in the inner cities and The Initiative will not displace these - rather it will seek to support, advise and enhance them.

The Phoenix Initiative is non-party and will work with individual local authorities, economic and social groups of whatever political persuasion as well as with Government Departments. In particular, it will work in partnership with individual local authorities using their land assembly powers where required on specific projects.

It will promote the initiatives proposed under the new Housing and Planning Bill and use the existing and proposed grant system. In addition, it will study the present arrangements on funding, land assembly and other matters.

The Phoenix Initiative will be based at St Katherine's Dock, itself a prime example of what can be achieved by imaginative planning, co-operation and private sector finance.

Notes for Editors

1. Further copies of 'The Phoenix Partnership - Urban Regeneration for the 21st Century' can be obtained from Sandra Brenner at BMP (01-222 5315)

2. For further information
   Sandra Brenner - 01-222-5315
   Chris Ledger - 01-257-3368

Attached is a list of the members of the Sponsoring Board.

THE PHOENIX INITIATIVE

THE SPONSORING BOARD

Chairman: Sir Colin Corness	-	(President National Council of Building Material Producers) Chairman Redland PLC.
Bryan Baker	-	(Vice President National Council of Building Material Producers) Group Managing Director Tarmac PLC.
John Brown	-	(President British Property Federation) Managing Director Peachey Property Corporation.
Patrick Dawnay	-	(Member Urban Investment Review Group) Director Morgan Grenfell & Co Ltd.
Tim Melville-Ross	-	(Chairman Urban Investment Review Group) Chief Executive Nationwide Building Society.
Tony Pelling	-	Under Secretary (Construction Industry) Department of the Environment.
Eric Sorensen	-	Under Secretary (Inner Cities) Department of the Environment.
Norman Wakefield	-	(Chairman Working Party of Building Employers Confederation) Chairman and Chief Executive Y J Lovell (Holdings) PLC.

Chief Executive

Christopher Ledger	-	Shell UK

TYPICAL LOCAL PRESS CUTTING

WIRRAL
News
Wallasey Edition
Thursday, 16th July, 1987

MOVE FROM 2 FEET TO 2 WHEELS Free starter Pack!
WITH EVERY HONDA VISION OR HONDA CUB SOLD!
FREE! HELMET & GLOVES + 4 HOURS PROFESSIONAL TUITION! 15.7
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Ashes of decay to spawn new life . . .

Phoenix to rise in New Brighton?

The halcyon days of the 50s when New Brighton was the fashionable place to be: The tide is flowing back to the good old days.

THE PHOENIX is set to rise from the ashes of New Brighton's decay.

A dome on New Brighton pool, the return of the New Brighton ferry and a steam train link with Seacombe are all being considered as part of one of the most far-reaching initiatives to boost the resort.

With the Anton plan, which proposed a multi-million-pound leisure complex on the seafront, being tipped as having bit the dust, Wallasey MP Lynda Chalker believes that a partnership of the council, businessmen and local people is the only way to bring back the halcyon days when thousands of trippers brought prosperity to the resort.

She has persuaded the national Phoenix Association, which has been highly successful in boosting other areas of Britain, to set up a think

Continued on page 2

Photo: Creative Photography
The sand's coming back! Bill Wilkie relives Wallasey's heyday as the sand builds up in New Brighton.

See Grand Prix!

Fifteen lucky News readers and their partners will be going to the British Motorcycle Grand Prix — the top bike event in the country — courtesy of Wirral News.

We're offering five, first-prize, double tickets for the whole four-day programme of this prestigious event and ten runners-up prizes of a pair of tickets for Grand Prix race-day itself — August 2 — in a super competition in this week's News.

Turn to the first page of our motoring section to find out how you could be on your way to a fabulous free day out at the Grand Prix.

THE 1987 PEUGEOT RANGE
Come and view the exciting range of new PEUGEOT TALBOT Cars and commercials in style and comfort at Totteys.
Browse at leisure for your new "E" reg vehicle for August 1st.
Consult our knowledgeable and friendly staff... they will be delighted to assist you with your choice.
Be choosy, choose Totteys for Peugeot Talbot on the Wirral.

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06 JUL 1987

Times

Partnerships that build cities

by David Trippier

Nobody believes that there is an overnight solution to the problems of inner-urban areas. What is depressing, for someone who comes from the north of what is erroneously described as the "north-south divide", is that all too often rhetoric gets in the way of co-operation, and genuine opportunities for growth and enterprise are rejected.

I do believe that the government has not been given sufficient credit for the policies of practical caring that have been put into effect over the past eight years. Since 1979 more than £3,500 million has been invested in urban areas through the inner-city programmes. This includes over £400 million in public expenditure in London and Merseyside docklands, leading to private investment commitments of £2,200 million. This is not just throwing money at the problem; it is directly creating jobs, improving the environment and rebuilding communities.

We have achieved what amounts to a revolution in housing since 1979. A dramatic increase in home ownership has created a sense of belonging and pride in local communities. And the Queen's Speech raised the curtain on further radical measures to restore tenant choice and improve urban housing.

There has also been a remarkable recovery by the construction industry from the difficult days of the early 1980s. Output has increased for five successive years and forecasters are now pointing to the growth continuing until at least the end of the decade.

We look to the private sector to play a major role in the regeneration of inner-cities. There is a particularly important part for the construction industry to play in helping to identify areas of potential, using its expertise in partnership with others to bring development to fruition.

Partnership is very much the key to success. I have been very encouraged by the co-operation with the building societies and other financial institutions typified by the Phoenix Initiative, led by Sir Colin Corness and the Building Materials Producers, which has the support of the Building Employers Confederation and is putting together some exciting development projects in the north-west and elsewhere.

Whitehall-watchers seem baffled by the fact that more than one government department takes an interest in urban policy. This should not be so baffling to the residents of our inner-cities because for them it is all too evident that urban problems have to be tackled on a variety of fronts; housing, jobs, the environment, education, health and law and order are all vital components in the "inner-city problem".

Confrontation makes for good copy. But talk of by-passing local authorities can sometimes obscure the fact that behind the smoke-screen of rhetoric there is a great deal of co-operation between central and local government. Where local authorities are prepared to work with the grain of government policy there are exciting opportunities for joint projects. Through Urban Development Grant, for example, which involves a 25 per cent contribution by local authorities, capital development projects will create over 25,000 permanent jobs, involving 15,000 man-years of construction and the re-use of 1,000 acres of urban land.

The sad thing is that whereas authorities like Birmingham, Nottingham and Oldham have made excellent use of Urban Development Grant other areas in which the same potential exists have slammed the door on the chance of bringing substantial prosperity to local residents. Those authorities should have it on their conscience that they have wilfully destroyed potential investment or diverted it elsewhere.

This year we have set up five new Urban Development Corporations, in Trafford Park, Tyne and Wear, the Black Country, Teesside and Cardiff Bay. These new UDCs will spend over £500 million in public money in the next six to seven years, renewing the infrastructure of their areas, reclaiming land, renovating buildings, creating new job opportunities and, most important of all, attracting private capital, to create self-sustaining growth.

None of the local authorities in these areas have opposed the creation of UDCs and most have welcomed them. Partly this is through the natural inclination not to look a gift-horse in the mouth, but it also represents a more significant development: the realization that the right culture has to be created for industry and commerce to flourish.

The author is Under-Secretary of State at the Department of the Environment.

EXTRACTS FROM

SPEECH FOR

DAVID TRIPPIER RD JP MP

PARLIAMENTARY UNDER SECRETARY OF STATE

AT THE

UK/USA CONFERENCE ON PARTNERSHIPS

IN URBAN REGENERATION

ON

30 JUNE 1987

ON ELECTION NIGHT THE PRIME MINISTER SINGLED OUT INNER CITIES AS A PRIORITY FOR ACTION DURING THE LIFE OF THIS PARLIAMENT. I WAS THEREFORE PARTICULARLY PLEASED TO INHERIT THE INVITATION TO OPEN THIS CONFERENCE FROM JOHN PATTEN. NO ONE CAN DOUBT THE URGENCY OF THE PROBLEM. THIS GOVERNMENT IS COMMITTED TO TACKLING IT. . .

WE CANNOT DO THIS ALONE. WE BELIEVE THAT THE PROPER ROLE OF CENTRAL AND LOCAL GOVERNMENT IS CREATING THE CONDITIONS WHERE THE PRIVATE SECTOR IS EAGER TO ENGAGE IN REGENERATION.

THE PRIVATE SECTOR HAS SHOWN ITS WILLINGNESS TO RESPOND. THE CONTRIBUTION OF THE CONSTRUCTION INDUSTRY HAS BEEN ESPECIALLY HEARTENING. OUTPUT HAS SEEN A REMARKABLE RECOVERY. IT HAS INCREASED FOR FIVE SUCCESSIVE YEARS AND THE TREND IS SET TO CONTINUE. THIS MUST IN PART REFLECT THE ENERGY WITH WHICH THE INDUSTRY HAS BEEN SEEKING OUT NEW OPPORTUNITIES IN THE INNER CITIES. I PARTICULARLY WELCOME THE ESTABLISHMENT BY MANY CONSTRUCTION FIRMS OF SPECIALIST URBAN RENEWAL SUBSIDIARIES.

THE TIMES TUESDAY APRIL 21 1987

Face-lifts for inner cities start this year

By Richard Evans
Political Correspondent

A multi-million pound American-style partnership between the Government and the private sector, aimed at tackling dereliction in Britain's inner cities, will begin work after the general election.

After two years of talks between ministers and leading construction firms, three consortia have been formed with the aim of regenerating the nation's most run down areas.

With the help of "pump-priming" grants, the trio are expected to start work this year on building thousands of homes, factories and retail centres in Manchester, Sheffield, Nottingham, Leicester and the West Midlands.

The next phase of the Government's urban policy, mapped out by Mr John Patten, Minister for Housing, Urban Affairs and Construction, is based on the successful United States experiment which brought private companies and the government together to work closely on inner city projects.

British construction firms were initially cautious about becoming involved in developing some of the most run down sites, mainly because of doubts over the financial return. But those reservations appear to have evaporated and the companies are hoping for substantial profits.

Ministers believe their attitude represents a growing indication of confidence in the state of the economy. Wood MacKenzie, the leading construction industry stockbrokers and forcasters, recently suggested a 5 per cent growth rate in the construction industry during the next year.

The three consortia formed to redevelop inner city sites are Phoenix Partnership, led by Sir Colin Corness, chairman of Redland; PROBE, led by Mr Norman Wakefield, chairman of Y J Lovell; and the Group of Eleven, which consists of Britain's biggest construction companies with leading figures including Mr Clifford Chetwood, chairman of Wimpey, and Mr Philip Beck, chairman of Mowlem.

At least two of the consortia are known to have applied for urban regeneration cash which is expected to be granted shortly and work is likely to start by the end of the year.

Mr Patten said yesterday: "The Government is looking increasingly to the private sector to take a lead in the development of inner city areas with the Government providing the framework and pump-priming money.

"This is something I have been working on for the past 18 months, in order to try to bring the construction industry and the Government Urban Policy much closer together".

A recent survey disclosed the only age group not moving out of the inner cities is the 18-24 category and ministers believe this will help bring economic success back to such areas.

Mr Patten added: "Housing-led regeneration of our inner cities is critical, and the young are going to play a vital role in their social and political regeneration.

"At the moment the inner cities are still losing their brightest and their best and we hope this partnership will turn the tide."

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Cities drive crosses Whitehall boundaries

THE INNER CITIES

By Helen Hague

THE GOVERNMENT'S drive to regenerate the inner-cities is a key part of its thrust to counter charges that Tory rule has divided Britain.

The task of tackling decay, encouraging investment and increasing employment and enterprise has been given high priority in the wake of the election victory. The declared aim is to achieve a wider partnership between the public and private sectors, and target spending more accurately on those needing help.

The heavily trailed strategy, outlined in the Queen's Speech, involves one of the most complex inter-departmental challenges to face Whitehall. Margaret Thatcher is chairing regular meetings of ministers charged with revitalising the inner cities.

Inter-departmental jockeying for taking the lead in the high profile drive has already surfaced. Lord Young, taking his crusade for "enterprise culture" from the Department of Employment to the Department of Trade and Industry, has been swift to champion self-help as the key for revival. The small-budget cross-department Task Forces, expanded to 16 before the election, and the enterprise and deregulation unit come within his remit.

But the Nicholas Ridley, Secretary of State for Environment, has by far the largest budget for urban renewal — around £500m a year. An increase in the number of urban development Corporations, to tackle severe dereliction and other disinctentives to investment, is to be discussed. His department will shoulder responsibilty for three key areas where planned legislation will have a major impact on the inner cities: housing; rates reform; and local government.

There is expected to be continued conflict between Mr Ridley and Kenneth Clarke, at the Department of Trade, who backs plans to have a fixed number of local people employed by firms given contracts in the inner cities. The Home Office, with one eye on the recent Leeds disturbances, pushing its crime prevention drive, is likely to support Mr Clarke.

One of the biggest tasks facing the Government will be bypassing Labour-controlled local authorities, which it claims have helped drive out businesses by setting high rates.

David Blunkett, Labour MP for Brightside, voiced local authority criticism yesterday, saying the Government's plans would fail "because they are based on the false premiss that all the problems of the inner cities are the fault of local government".

Radical legislation, on housing, education, rates and local government, will help the Government enact its inner cities strategy. But, in the face of local authority opposition, ministerial co-ordination will be needed to attract enterpenuers and investors back into urban wastelands.

INDEPENDENT

26 JUNE 1987

DoE cash may go to private schemes

By David Hencke

Mr Nicholas Ridley, the Environment Secretary, is preparing to redirect his department's £75 million a year council estate rehabilitation programme to homes which could be privatised, under new legislation to be introduced by the Government.

The scheme known as the Estates Action Programme, channels cash into the inner cities to rebuild and improve rundown estates where councils find it difficult to let homes to tenants.

The programme is backed up by cash from the ministry's urban programme and the Manpower Services Commission. It provides training for the unemployed, in improving the environment of the estates, as well as jobs for building contractors renovating the council homes.

Decisions to improve an estate are made by the Department of the Environment on the basis of bids submitted by local councils. So far this year exactly half the money has been allocated to councils, and the rest is not due to be allocated until next year.

It is understood that in future allocations of money will be directed to schemes where council tenants will be encouraged to choose private landlords to run their estates. In some cases, the estates could even be sold after redevelopment has taken place without reletting to tenants, as has occurred in the Conservative -controlled London borough of Wandsworth.

The move is in line with the latest government thinking of bringing back private enterprise into the inner cities and encouraging home ownership and a private rented sector alongside coucil houses.

The Department of the Environment has been advised that conditions on rundown estates are so appalling, and potential rents so low, that no private landlord would be interested unless the property were substantially renovated.

Since control of the Estates Action Programme is entirely in the hands of the D of E it would be an easy matter to redirect money to estates which could change hands once he new legislation is through the House of Commons next summer.

The new legislation will allow coucil tenants to opt of local authority conrol by voting to hand their estate over to a private landlord or turn it into a tenants co-operative.

GUARDIAN

Maggie seeks big business allies to stop inner city rot

MRS THATCHER will chair a summit of Ministers this week to hammer out plans to win millions of pounds of private money to rescue Britain's decaying city centres.

By NICK ASSINDER

The inner cities team, including Ministers for the Environment, Employment, Trade and the Home Office, will decide exactly how much the Government will chip in to stop the rot.

But business will be expected to contribute the lion's share — possibly up to four times the Government's slice.

Regenerating the urban wastelands is top of the Prime Minister's list for action over the next 18 months. Thursday's Queen's Speech will include a hefty programme of legislation aimed at turning the tide of dereliction.

Environment Minister David Trippier said during a visit to Liverpool yesterday that priorities would be to encourage small businesses to flourish and to provide incentives for bigger companies to stay in the inner cities. But he also indicated that the Government would be looking for a massive injection of cash from the private sector.

Public money had to be used to its best advantage, he said.

Environment Secretary Nicholas Ridley will spearhead the bid to revitalise the inner cities with a massive programme of new incentives.

A Bill is expected to stop city councils blocking tenants who want to take over the running of their own council estates. Legislation is also planned to open up the rented sector of the property market, while the Government will also push ahead with plans to scrap the rating system and replace it with a community charge.

Schools will be given the right to opt out of local education authority control and run themselves with direct help from the Government.

Mrs Thatcher is determined to push through the radical programme within the first couple of years of her new government. The aim is to show the largely Labour-dominated inner cities that a Tory Government is committed to reviving areas hit by the recession.

DAILY MAIL
23 JUN 1987

INDEPENDENT
1 JULY 1987

Partnership plan for inner cities

By Our Labour Staff

MAJOR CHANGES in the fortunes of run-down urban areas can be expected in the lifetime of the new Parliament, David Trippier, the Department of Environment's minister for inner cities, predicted yesterday.

Creating the conditions in which enterprise can flourish is a government priority, he told a conference on Partnerships in Urban Regeneration.

In his first speech since taking office, Mr Trippier said: "We intend to sweep away the obstacles to development and give inner city residents the opportunity to enjoy the prosperity which is being created. Our vison is of towns and cities where those with enterprise and initiative wish to live."

He said the Government would seek direct partnership with the private sector to revitalise inner city areas where local authorities did not encourage such initiatives.

New and growing businesses had avoided areas of "high rates, drab public sector housing, poor schools and in far too many cases-incompetent and downright loony local governments."

He announced help for selected local authorities to get Urban Development Grant funds. Those eligible would be offered expert advice. Miniature Urban Development Corporations would also be set up.

08 JUL 1987

FINANCIAL TIMES

Key role seen for private cash in inner cities

BY PETER RIDDELL, POLITICAL EDITOR

THE SPECIAL Cabinet committee co-ordinating Government efforts to help the inner cities agreed that a key objective would be maximising the amount of private money for every pound of public investment at its first meeting yesterday.

Mrs Thatcher is concerned to produce self-generating development involving local people and businesses and the private sector.

There is no present commitment to channel more money to the inner cities. Government officials argue it is mainly a matter of obtaining better value for money and to redistribute existing resources than spending more. However, some departmental ministers are pressing for more money for inner city projects.

The committee, chaired by the Prime Minister, will act as a steering and co-ordinating group setting overall priorities, with specific decisions being taken by existing committees and groups of ministers and officials.

The intention is to provide a more specific look at the problems of inner cities than under the existing structure of Cabinet (E) committees.

The co-ordinating role will be performed by the Cabinet Office, as with European Community matters, and will report directly to Mrs Thatcher as chairman of the committee. The Cabinet Office secretariat is preparing another paper on possible solutions after yesterday's strategic look at the subject.

An indication of the Government's thinking was given last night by Mr Nicholas Ridley, the Environment Secretary, at a political dinner in London. He said that traditional ideas of a partnership between central and local government did not work in some areas because of the leftward drift of the Labour Party.

More money for councils might be wasted and what was needed was "more direct and targeted initiatives", he said, citing urban development corporations and Housing Action Trusts. He said the aim was to give to "local private enterprise and local people both the tools to rebuild that prosperity in our inner cities which they created there in the first place, and the freedom to get on with the job".

The Department of Trade and Industry's function will be limited to its existing inter-departmental role of co-ordinating the City Action Teams and the 16 task forces, rather than any wider responsibilities.

The meeting was attended by ministers from the Home Office, the Scottish and Welsh Offices, the departments of Employment, Environment, Health and Social Security, and Education and Science, the two Cabinet ministers from the Department of Trade and Industry, the Chief Secretary to the Treasury, and the two parliamentary business managers, Lord Whitelaw and Mr John Wakeham.

Margaret Thatcher: concern for self-generating development

GUARDIAN

Government plans to 'prime pump' for initiatives by industry and local communities

Tight rein on cash for inner cities

By John Carvel,
Political Correspondent

Mrs Thatcher made it clear to Cabinet colleagues yesterday that she does not expect the inner cities policy, which is designed to be the showpiece of her third administration, to be a drain on the Exchequer.

The emphasis was on involving industry, commerce and local communities in urban regeneration. Government money would be used to prime the pump, but there would be no spending bonanza.

Mrs Thatcher was chairing the first meeting of her Cabinet's new committee on the inner cities. It is to be the focal point of the initiatives, and the Prime Minister's personal involvement is designed to prevent empire-building wars between the half-dozen ministries most closely involved.

A Cabinet Office unit has been set up, with staff seconded from Whitehall to dovetail the operation. The committee will meet only as required. Mrs Thatcher told colleagues that she would not be starting her planned visits to inner city areas until the parliamentary recess, probably in September.

The big departments have yet to make their decisions about inner city spending bids to the Chief Secretary to the Treasury, Mr John Major, who is already warning that it will be a tough public expenditure round.

Mr Nicholas Ridley, the Environment Secretary, whose budget includes the lion's share of the present urban programme, will be looking for extra resources to fund new urban development corporations and housing initiatives, but he has yet to decide how far to absorb this by cuts elsewhere.

In the Commons, Mrs Thatcher and the Education Secretary, Mr Kenneth Baker, squashed Tory backbench calls for the Government to take over education funding from local authorities to reduce the burden of the poll tax which ministers intend as a replacement for domestic rates.

Mrs Thatcher said: "I see no possibility of transferring the entire cost of a service to taxpayers and leaving its total administration to the local authorities. There is no way in which the Department of Education and Science can taken over the administration of education. Nor, in fact, should it."

Mr Baker said: "I see massive difficulties in removing the costs of all, or a substantial part, of local education authority expenditure to my department."

If the cost of teachers' salaries were removed to his department from local authorities it would cost £3.9 billion. "It would distort the relationships between central and local government in education," he said. The money would have to be found from the national exchequer, causing an increase of 3p on income tax or 3½ per cent on VAT.

The Labour leader, Mr Neil Kinnock, teased the Prime Minister about growing evidence of dissent over the poll tax within her own party. "In view of the strong hostility towards the poll tax from members of your own party in this House and diehard supporters outside, are you for turning?" he asked. Mrs Thatcher replied: "We have considered this matter very carefully. The present system is unfair and discredited."

● The inner cities minister, Mr David Trippier, announced in Leeds yesterday a government urban development grant of £343,000 to a project to convert a warehouse into a design centre of small workshops, studios and galleries in the Chapeltown area of the city, where there were disturbances last month.

Mr Trippier described the project, which is costing £962,000, as "imaginative and innovative." The centre brings the total urban development grants in Leeds to £3,800,000, divided between 12 projects which have attracted another £12,800,000 of private or municipal investment.

Simon Beavis writes: Mr Michael Heseltine, the former Environment Secretary, yesterday welcomed the Government's new commitment to rebuilding the inner cities but warned it not to adopt a "minimalist" attitude.

Speaking to an audience of industrialists in London, he called for "public sector led, but private sector induced" incentives. Regeneration depended on creating an environment where people wanted to remain. "One thing that doesn't work in the inner cities is the idea that by helping individuals there to become self-employed, or to start their own businesses or to paint their houses, you somehow solve the problem," he said.

Leader comment, page 12

08 JUL 1987

DAILY TELEGRAPH

Key role for industry in inner cities

By Our Political Correspondent

THE ATTRACTION of private industry and investment back into the inner cities emerged yesterday as the central objective of the Prime Minister's new drive to end urban decay.

The first meeting of a special Cabinet committee on inner city renewal chaired by Mrs Thatcher, decided against ordering any massive new injection of State funds.

Ministers took the view that there is already substantial government assistance for the inner cities. The objective now was to maximise the involvement of private industry and commerce.

Top of agenda

The Cabinet committee was established after the election by Mrs Thatcher when she declared that inner city deprivation would be at the top of her agenda for her third term in power.

Its main members include Mr Fowler, Employment Secretary, Mr Ridley (Environment), Lord Young (Trade and Industry), Mr Baker (Education), Mr Moore (Health and Social Security), Mr Walker (Wales) and Mr Rifkind (Scotland).

Both the Department of the Environment and the Department of Trade and Industry already have substantial funds available for inner city projects. Officials said after the Cabinet committee meeting it was not a question of more money. "There is a lot of money going into the inner cities—we want better value for that."

INDEPENDENT

Search on for ways to help inner cities

By Colin Hughes, Political Correspondent

THE CABINET'S new inner cities committee yesterday agreed to launch a fresh Cabinet Office trawl for ideas on tackling urban decay which stretch beyond the Tories' manifesto strategy. Cabinet Office officials are being instructed by the Prime Minister, who is chairing the Cabinet committee herself, to search out new ways of maximising private sector investment in the inner cities, and to increase involvement by local and voluntary organisations.

Ministers are sensitive to the accusation that their proposed solutions are interventionist, and risk bypassing the people who live in the inner cities. One departmental official said last night that the aim was "to ensure that whatever we do sticks, after our people have pulled out". The study was pointedly intended not to report on the kind of approaches already being adopted under its urban programmes but to produce new proposals.

Margaret Thatcher is looking in particular to Lord Young, Secretary of State for Trade and Industry, to take proposals from the business community and encourage its participation.

Ministers argue that the Tory manifesto set out the legislative framework within which the inner cities initiative will work: they now need the meat.

At yesterday's Cabinet Committee, it was said the Government had attracted £4 of private sector investment for every £1 of Government spending in Liverpool and London Docklands. What ministers now seek is a target of six to one. Similarly, they are anxious to rebut accusations that bureaucrats and the private sector will step in to develop areas, and then pull out, "leaving the locals as bemused bystanders", one official said.

Ministers say that, since the Government has raised urban investment to the top of the political agenda, private companies and voluntary organisations such as the Prince of Wales's charities had started putting forward specific ideas. The Cabinet Office study is to collect and co-ordinate that flow of ideas. Mrs Thatcher is keen to have firm suggestions in time for her planned tour of inner cities in September.

Nicholas Ridley, the Secretary of State for the Environment, last night outlined the spirit of the approach in a speech to the Conservative Political Centre annual dinner in London. He said that "in too many of our inner cities, the philosophy of those who represent and defend the public sector cannot be reconciled with private enterprise."

The Government was not aiming "to take to Whitehall what should be done locally". It aimed "to give to local private enterprise and local people, both the tools to rebuild that prosperity in our inner cities which they created there in the first place, and the freedom to get on with the job."

■ Margaret Thatcher yesterday agreed with a Tory backbencher that "inflammatory" talk could hamper efforts for urban regeneration. John Butterfill, (Bournemouth W) had condemned the remark of Bernie Grant (Lab, Tottenham) on Monday, that the inner cities were a powder keg.

TIMES 20 JUL 1987

Sue Cameron reports on Whitehall feuds that are impeding action

Inner city in-fighting

Since the night of Mrs Thatcher's election victory, when she stood on the staircase of Conservative Central Office and announced that priority must be given to saving Britain's inner cities, the possibility of some particularly bitter feuding has loomed large in Whitehall.

At least half a dozen departments of state have an interest in the inner cities. They include the Home Office, the departments of Education, Health and Social Security, Employment, Trade and Industry and – pre-eminent among them in this particular field – Environment. Most are anxious to extend or, in the case of Environment, to defend their spheres of influence. The skirmishing has been going on for months.

The departmental sparring is underlaid by serious philosophical differences in the approach to be taken to the inner cities. The Prime Minister and her two Trade and Industry ministers, Lord Young and Kenneth Clarke, believe the solution to the decline of the inner cities lies in imbuing them with a spirit of enterprise to set up more small businesses and so create jobs. But others in Whitehall, notably at Environment, tend to the view that salvation lies in renewing the infrastructure of the inner cities – imposing a far greater strain on the public purse.

But what form, you may ask, does the skirmishing take? Angry phone calls? Rows at inter-departmental meetings? Desperate pleas to ministers to consider the honour of the department?

"Ministers and officials within a department nearly always close ranks when there's a fight on in Whitehall," remarked one senior civil servant. "More often than not you discuss with your minister how to do the other beggars down. They become the enemy.

"There's no question of having vulgar shouting matches. But if departments are meant to be working together, as they are in the inner cities, you suddenly find that inter-departmental meetings become very difficult to arrange. People start sending their opposite numbers notes saying: 'I am sorry to be so very late in replying to your minute but it raises a number of much wider considerations which will require considerable thought and consultation in this department . . .' Things simply stop happening."

Officials confirm privately that this is exactly what has been happening on the inner cities. Despite all the machinery for inter-departmental co-operation, departments have been showing a marked tendency to take a tunnel-vision approach to the pursuit of their own urban policies.

The lack of communication seems to extend to ministerial initiatives. The Department of the Environment, for example, was deeply irritated by the much publicized calls of the Trade and Industry Minister, Kenneth Clarke, for those actually living in inner cities to be employed on local renewal projects.

Young and Clarke: hoping to spur the people

Ridley: budget at risk

Now, laying down special conditions on whom firms may or may not employ is known in the trade as contract compliance. Loony left-wing councils used to do it all the time – insisting, for example, that companies tendering for council contracts should not have any connection with South Africa. Nicholas Ridley, the Environment Secretary, has been pushing through legislation to outlaw contract compliance.

Clarke, say Environment officials, has made it far harder to "persuade" contractors to use local labour on inner city projects by banging on about it.

Officially, of course, all is harmony in Whitehall. Even in private senior officials are loath to admit to dissension. The most that some will own up to is a difference of emphasis in the approach various departments have to the inner cities, be it on buildings, jobs, crime or schools. This, they say, is perfectly legitimate.

And if Environment officials occasionally point out that the Home Office does not fully appreciate the importance of rebuilding or refurbishing derelict city centres *before* worrying about the crime rate, they do so gently. They stress that there are already numerous inter-departmental committees working away to ensure a concerted approach.

"Of course they'll deny that there is any form of contest," said one senior official. "They have to keep up appearances, particularly under a Tory government. But in reality they will fight for their share of the ground. And the one thing you can be sure of is that the more sweetness and light emanating from the departments concerned, the more likely it is they are shaping up for a struggle."

"Mind you, it's early days yet. At the moment it's small arms fire rather than artillery."

At the centre of the current jockeying for position are Environment plus whichever department happens to be housing Lord Young and Clarke – at present Trade and Industry. Young and Clarke took their city task force programme with them when they were jointly reshuffled from Employment to Trade and Industry after the election. The move – of the task forces as well as the ministers – was not calculated to smooth ruffled feathers at Environment.

Yet at first sight it is hard to see why Environment should feel in the least bothered. The entire city task force programme is worth less than £20 million a year, mere loose change in Whitehall's pocket. Environment, by comparison, spends well over £500 million a year on a whole range of urban programmes. Furthermore, responsibility for housing and local government – both key policy levers in any machinery for changing the inner cities – come within its aegis.

So why the angst, particularly when Ridley is almost as great a favourite with the Prime Minister as Lord Young?

The trouble is that Mrs Thatcher appears to be on the side of Young, Clarke, and the small spending battalions. What's more, Young and Clarke are far more skilled at the public relations of politics than the witty and aristocratic Ridley. The two Trade and Industry ministers may have only a paltry sum to spend but they have made far more political capital out of it than Ridley has with his hundreds of millions. And Environment officials fear their next move will be to demand a bigger role and more cash – money that could be raided from the Environment budget.

The Treasury is certainly not keen to see any overall increase in public spending on the inner cities. And each publicity offensive by Young and Clarke engenders further jealousies and concern in other departments.

"Obviously it would be infinitely better for the inner cities if departments were properly co-ordinated," remarked one senior civil servant last week. "But that could be asking for the moon. Mind you," he added, perking up, "it does rather depend on Her."

But now She has spoken. Mrs Thatcher, who is rather good at conducting wars herself and is not the kind of general to tolerate hostilities among her own troops, has carried out what amounted to a major head-banging exercise. Chairing the first meeting of a new cabinet committee on the inner cities she made clear to key ministers such as Ridley, Young and Clarke that in future there must be a more co-ordinated approach from their departments.

She also told them, and this was of even greater interest to Whitehall, that she was ordering the establishment of a special civil service unit within the Cabinet office to advise her on the inner cities. Probably no more than six strong, it will include expert senior officials from Environment, Employment and Trade and Industry – the departments that have been doing most of the Whitehall warmongering so far.

Civil servants from Education, Social Security and the Home Office may also help to staff the unit, which will be answerable to a deputy secretary in the Cabinet office.

But now that the Prime Minister's attention has been drawn to the damaging undercurrents inside Whitehall itself over the inner cities, the message going out from Number 10 is clear: they can carry on fighting among themselves – if they dare.

TIMES AUGUST 4, 8.

Inner cities

Firm leadership demanded

By Martin Fletcher and Paul Eastham

Backbench Conservatives and members of the building industry are becoming increasingly anxious at the apparent lack of co-ordination and direction in the Government's inner cities regeneration programme.

One MP closely involved with the construction industry, Mr Michael Latham, has said that the whole programme is threatened by "fragmentation of leadership"; Mr Roger Humber, director of the House Builders' Federation, said the programme was "floundering around" and Mr Ted Wakeham, managing director of the development company, Lovells, said political confusion in Whitehall was giving local authorities an excuse to do nothing.

Meanwhile English Estates, a government agency responsible for building factory units and commercial premises, is understood to have submitted a heavily qualified report to the Department of Trade and Industry on its own ability to trigger private sector investment in the inner cities.

English Estates is believed to have said that given the necessary funds it could move into some of the 16 inner city task force areas and encourage the private sector to follow but in other areas the report doubts if the private sector would ever invest.

Five Whitehall departments have an interest in the inner cities programme, but the principal rivalry is between the Department of Trade, ostensibly the "lead" department, and the much bigger Department of the Environment.

Mrs Margaret Thatcher has acknowledged the need "to bang a few heads together" to achieve co-operation and Mr Kenneth Clarke, Minister of State for Trade and Industry, has admitted there is confusion about the host of measures on offer.

Writing in the construction industry magazine, *Building*, Mr Latham said "fragmentation of leadership" was the underlying problem and he suggested that Mr Michael Heseltine, former Secretary of State for the Environment, and architect of the Tories' inner cities policy, should be put in overall charge.

"Inner cities policy crosses a lot of departmental boundaries which is a sure recipe for bureaucratic log-rolling, delay, compromise, inaction and frustration", he wrote.

"If there was not one man clearly in charge "there's no clear bottom to kick or chest on which to pin medals of success".

What was needed was a clear plan and a single-minded determination to see it implemented.

"There's a man available who has the drive, the experience and flair to do this job. His talents are not being properly used at present. He is of course Michael Heseltine. The Westland affair is over. It's time to bring this talented and dynamic force in from the political cold."

The House Builders' Federation, representing 4,000 firms of all sizes, has been lobbying Mr Nicholas Ridley, Secretary of State for the Environment, to increase the incentives to local authorities to co-operate with the private sector and to "really crunch" those that still refuse.

Mr Humber, the director, said many Labour councils had previously indulged in creative accountancy to generate revenue and stave off the private sector but were now accepting reality in the wake of the third Tory election victory. Mr Ridley should give them a last chance to co-operate by offering to ease spending controls and to let them spend capital receipts.

"It's not very clear what the Government wants at the moment and the whole inner cities policy is floundering around. Unless the Government is going to take on local government in the inner cities on a scale which it doesn't want to do it is going to have to work with them.

"We want the government to give them one one last very real chance by removing a number of financial penalties."

Spectrum, page 8

Labour councils 'are ready to co-operate'

Labour-led local authorities are displaying a new attitude of co-operation towards the Government's inner city policies, it was disclosed yesterday.

Mr David Trippier, Under Secretary of State for the Environment, responsible for the inner cities, said the leaders of Liverpool and Manchester city councils have both asked to see the Government to discuss future projects.

He was speaking after announcing a £23.8 million project to boost employment and leisure facilities in the Manchester and Salford area.

Government investment in the development at Salford quays, the former Manchester docks, is being multiplied six times by money from the private sector, and is typical of the style of project the Government is keen on.

Mr Trippier said: "We are now seeing a change of attitudes from some local authorities since the general election. In some cases they were in financial difficulties and thought a Labour Government might bail them out.

"I am now receiving letters from leaders of local authorities who want to see me. They want to see what can be done over the next four or five years. I welcome that."

Prime Minister.

This suggestion for a meeting will need to be considered at a diary meeting. September is going to be a very busy month. MEN 7/8

PRIME MINISTER

31 July 1987

Inner Cities: Business in the Community

A few weeks ago I asked Stephen O'Brien if BIC would be kind enough to write a paper giving their views on the way ahead on Inner City Policy.

Within a short time, they have produced an excellent report: thoughtful, positive and supportive. It deserves careful study and discussion. The letter by O'Brien is also very interesting.

I think it would be useful if you could meet him in say early September for half an hour or so for him to give you personally the substance and flavour of his ideas.

This is excellent. It offers the best way forward

Brian Griffiths

BRIAN GRIFFITHS

If Brian is in I will have a word with him on Monday in view of (p.2) pm

006/4214

CONFIDENTIAL

CCBG

FROM: CHIEF SECRETARY
DATE: 31 July 1987

Prime Minister 2

DLy
31/7.

PRIME MINISTER

INNER CITIES: INTERIM REPORT

I have read with interest the report attached circulated by the Cabinet Office (E(UP)(87)3). I welcome a number of elements in the suggested Priority Action Programme, in particular the emphasis on a closer involvement by private sector companies, the targeting of suitable areas and the various references to better co-ordination and presentation of current policies.

What I have found lacking so far is a clear statement of what our objectives should be and therefore how we should be able to measure the relative success of different policies and initiatives. This seems particularly important where, as in the present case, there are a multiplicity of policy initiatives already undertaken or under consideration. Unless we have a clear idea of what we are aiming for, we will find it difficult to ensure that the substantial public funds going into this area are used cost-effectively; or to decide which elements of the strategy are successful and which are not.

I recognise that there may well be no single objective. But my own instinct would be to regard a reduction of unemployment levels of the less skilled workers resident in inner city areas to ones nearer the national average as fairly central to our aims - access to work is the key to individuals addressing more effectively the other disadvantages they face. I would therefore be inclined to give somewhat less emphasis than the paper does to the various housing management issues: the council estates may, as the paper suggests, correlate with high unemployment and lack of skill but they are not necessarily the cause of these problems; and there may well be more cost effective measures

to deal with unemployment in the inner cities than action on housing. I would rather put the emphasis more on the whole complex of problems which reduce the prospect of employment of those living in the inner cities - low educational and skills attainment, low motivation and so on - as well as encouraging private sector investment of a kind which would produce the type of jobs for which inner city residents might hope to compete effectively.

I hope it will be possible to deal with these points rather more fully in the final report.

I am copying this minute to members of E(UP) and to Sir Robert Armstrong.

JOHN MAJOR

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

SIR ROBERT ARMSTRONG

INNER CITIES: INTERIM REPORT (E(UP)(87)3)

The Prime Minister was grateful for the interim report on inner cities circulated as E(UP)(87)3. She believes this is a useful start and looks forward to seeing the final report.

Looking towards the final report, the Prime Minister hopes that it will bring out very clearly the way in which local initiative and enterprise, both by business and by individuals are central to the rejuvenation of inner cities and that it will make concrete proposals for encouraging this. The annex to this minute suggests some headings and some detailed questions which the report might cover, with the other areas described in the interim report.

The Prime Minister is content that work should go ahead on the selection of twenty areas where the impact of programmes would be clearly demonstrated. These should be areas where existing inner city initiatives are already being undertaken, particularly those where there are UDCs or mini UDCs in existence or planned. She would wish to consider the wisdom of identifying areas in this way at a meeting in the autumn and to take a final decision then, when the proposal can be seen in the context of the Government's overall approach, for areas which would not be identified as well as those which would be. Her present instinct is in any case that it would be wrong publicly to announce a list of areas to which the Government would be seen as giving particular priority.

The Prime Minister is similarly content that work should continue towards an authoritative statement of Government policy, leaving until the autumn a decision on whether publication would be desirable. Such a statement would need to bring together the common threads of policy on the reform of education, housing and local authority finance as well as policies more directly focussed on inner cities.

The Prime Minister has asked that the final report should be circulated by September 18 so that E(UP) can meet well before the end of the month. The aim should be to complete detailed plans by the end of October.

I am sending copies of this minute to the Private Secretaries to members of E(UP).

DAVID NORGROVE

31 July 1987

ANNEX

AREAS FOR DISCUSSION IN THE FINAL REPORT

(a) Realising development opportunities

Land and planning policies are the key to unlocking substantial development potential of many inner city sites, and can be a powerful force for change.

- How can we cut through restrictions to allow any derelict land to be acquired for development on application by an interested party?

- What radical new proposals could be enacted to force the disposal of unused public land?

- Are current incentives, together with development gain, sufficient to attract investment into all areas of dereliction if planning restrictions are removed?

(b) Breaking the dependency culture

In addition to tackling the physical environment, there is a need to capture the self-motivation and enterprise of the local population - weaning people off welfare dependency.

- Is it feasible to re-design all high-crime council estates along the lines suggested by Dr. Alice Coleman? What would be a realistic programme to undertake within available funding?

- What can be done to bring Restart, training, enterprise and employment programmes more into the heart of inner city areas and council estates?

- How can we ensure that inner city communities take advantage of opt-out provisions in education and housing?

- What can we learn from our own experience and the US about the best way of linking the local community interest to the economic gain from major developments?

(c) Establishing local leadership

The active leadership to rebuild our major cities can only come from committed local citizens with a personal stake in the success.

- What (if anything) can Government do to help encourage local business leaders to come together into active leadership groups?

- What can we learn from our own experience and the US about the conditions under which local leadership is likely to be successful?

EL3CDM

CONFIDENTIAL

CCBG (4)

Prime Minister
For information only.
MBA 4/8

PRIME MINISTER

INNER CITIES: INTERIM REPORT E(UP)(87)3 ATTACHED

Although substantive discussion of the matters raised in this interim report is to be arranged when the final report is available, I would like to offer some comments at this stage.

I think that the general approach outlined in the report for the overall direction and presentation of the Government's policy objectives for the inner cities is right. It emphasises that Government action is bound to be broad-based and involve various Departmental programmes and other agencies, and that this is potentially a strength not a weakness. It identifies certain unifying themes and recognises that action can be taken on a variety of fronts, both short-term and long-term. It confirms that we have a good range of policy instruments to deploy but that these can be made more effective if there is agreement between Departments on the main objectives and on the priority areas in which resources and new initiatives should be concentrated. My own Department's policies and programmes contribute directly or indirectly to each of the main policy themes (para 5). I suggest that these should include specific reference to our housing policies: to tackle the problems of run-down council estates by involving tenants in the management and maintenance of their homes, and by offering choice of tenure. These policies need to be reinforced by action to improve local educational and employment opportunities.

The UDC's and mini-UDC's, and our grants for urban regeneration, urban development and derelict land are all designed to stimulate private developer and investment interest in urban renewal. By improving the physical environment they help to restore confidence in the local economy and among the local community. The Urban Programme will continue to have an important part to play in helping those local authorities who are willing and able to co-operate in the implementation of the Government's urban policy

objectives. It will also enable us to demonstrate continuing assistance to those areas that are not selected for special priority but which have undeniable urban problems.

While I endorse the need to agree on certain areas where action should be concentrated, I think that the report is right in suggesting (para 46) that we should be wary of letting this be seen as yet another "area initiative" rather than the basis for the future development of our urban policy. I doubt that we should publicise such a list of areas but it can be used as a means of focusing Department activity. For the same reason I would be doubtful about preparing or publishing "action plans" (para 58) for each of those areas. The danger would be, as the report recognises, that bureaucratic attempts to devise co-ordinated programmes would become an impediment rather than a spur to action. Ways must be found to provide the right degree of coherence and concentration while leaving Departments plenty of scope to manage their own programmes effectively.

It is not clear what is implied by "a good local framework to encourage business" (para 4 iv). I agree that BIC, local enterprise agencies and the more enterprising Chambers of Commerce have a useful part to play. But such organisations need to be locally based and to represent well established local business interests; artificially created bodies with no existing local presence or resources of their own tend to be mere talking shops or aspire to direct the efforts of those who are better able to get things done.

I agree with what the report has to say about the need for an authoritative statement on the Government's urban policy objectives and programmes, to which all the Departments concerned can contribute. This is essential if we are to get across both what the Government has already done in the inner cities and our intentions for the future.

Finally, I think that the report demonstrates the need for the overall policy direction and presentation of Government action on the inner cities to come from the centre rather than be based in any individual Department. I will certainly want to ensure that my own Department's activities contribute fully and effectively to our objectives.

N R

31 July 1987

PS I am sending a copy of this minute to the other members of E(UP) and to Sir Robert Armstrong.

REG POL Inner Cities
PV 10.

The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 2462/2 (one piece/item number)	Date and sign
Extract details: O'Brien to PM dated 30 July 1987 with attachment	X
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CONFIDENTIAL

CCBG

010

Prime Minister ①

The Treasury do not object to these proposals. Content?

MEA 7/8

Yes no

PRIME MINISTER

UDC FINANCIAL LIMITS BILL

I have a slot for an essential Bill this session to alter the financial limits for UDCs. This minute seeks policy approval to the Bill.

The total of grant-in-aid paid to and sums borrowed by all UDCs is subject to a statutory limit fixed in primary legislation and capable of increase up to a specified level in secondary legislation. The level was fixed in primary legislation in 1980 at £200m, increased in secondary legislation in 1985 to £600m and in recent secondary legislation to £800m. At current forecast rates of spending the £800m limit will be breached in the financial year 1988/89. Primary legislation is, therefore, needed this session to increase the limit yet again.

The present system is clearly cumbersome in terms of the call it makes on Parliamentary time. Given the importance which we now attach to the UDC programme, if we continue with the present system we shall either have to go for very substantial increases in the limits or make even more demands on Parliamentary time in the future.

Both of these options are unattractive and I propose instead to follow the practice adopted for many other grant aided bodies and do away with the statutory financial limit on grant-in-aid, retaining it only for borrowing. The proposed change would not, of course, in any way reduce our controls over UDC expenditure which are exercised through an external financing limit on grant and borrowing. We shall no doubt be criticised for reducing the opportunities for debate on UDCs but we shall be able to argue that the new system is well precedented, that Parliament already has an opportunity to exert control over UDC grant through the Annual Supply Estimates, and that there are plenty of other opportunities for debates on UDCs.

CONFIDENTIAL

I propose that the limit on borrowing should apply to all borrowing outstanding. The established UDCs have in fact made little use of borrowing and an initial limit of £30 million on all borrowing outstanding would be sufficient to cover all borrowing requirements assuming there is no major change in UDC borrowing patterns. It is just possible that in the future a UDC might want to finance a major project through borrowing and to cover this I propose to take power to increase the borrowing limit to £100m by order subject to affirmative procedure.

My officials have consulted Treasury, Welsh Office, Scottish Office and MPO, all of whom have expressed agreement with these proposals.

Provided you and other members of E(A) are content with my proposals it should be possible to instruct Counsel very quickly with a view to introducing the Bill as soon as Parliament reassembles.

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

N R

30 July 1987

CONFIDENTIAL

P 02813

From: J B UNWIN
30 July 1987

MR NORGROVE - No 10

cc Sir R Armstrong

INNER CITIES: CABINET OFFICE INTERIM REPORT (E(UP)(87)3)

Lord Young's minute of 27 July (copy attached) suggests that it would be helpful if the Prime Minister set the following timetable for further action on the key priorities identified in the interim report on inner cities policy by the Cabinet Office (E(UP)(87)3);-

(a) selection of 20 areas by 18 September, together with a summary for each area of the main problems and how they are currently being tackled;

(b) detailed action plans across Departments for these areas by 30 October;

(c) a White Paper in the autumn.

2. An early steer on these matters would be helpful if the timetable, which Mr Sorensen believes to be tight but not unrealistic, is to be met. I suggest that priority might perhaps be given to the selection of areas and that the further report for E(UP) by mid-September should concentrate on this. This would help to give Ministers a better picture of the implications of the whole exercise.

3. Ministers' decisions on the areas could then be followed by a further report to meet the suggested October deadline on action plans and on presentation and on machinery for implementing and monitoring the action plans. Ministers could then decide whether there should be an autumn White Paper and what its shape and coverage should be.

CONFIDENTIAL

4. There is one point on which I should register a caveat. As Lord Young says in his paragraph 3, any publicising of targets for areas carries risks. We are very wary about setting targets in other economic areas, and a publication setting out the Government's policies and achievements would not necessarily have to be explicit about targets. This would require more careful consideration when the further work is available.

5. Subject to any comments on the interim report from other Ministers, the Prime Minister may wish to draw on the above points in responding to Lord Young's minute.

J B UNWIN

Cabinet Office

cc. Mr Sorensen

CONFIDENTIAL

CABINET OFFICE
A 7863
28 JUL 1987
FILING INSTRUCTION
FILE No. .....

Mr Langdon
A very tight timetable.

PRIME MINISTER Is this feasible.

cc- Mr Unwin
Mr Sorensen

INNER CITIES

28/VII

The Cabinet Office Interim report on Inner Cities, E(UP)(87)3, is a useful start to our work and sets out clearly the problems with which we must deal. The case studies illustrate the enormous variety of the different inner city areas; there can be no single solution.

2 We need to prepare our next steps but must be careful to avoid raising expectations too high. It will take years for the inner city areas to be restored; by the early 1990s we can only expect to have demonstrated - in a few areas - that solutions are possible. The best way to achieve this will be a comparison of developments in those areas with what they were like in 1987. The preparatory work to establish the "before" position must be done now.

3 We could launch our initiative by a White Paper in the autumn, perhaps with an accompanying document designed for a more popular circulation. It should set out the areas chosen for this purpose, the problems and the action proposed. I recognise the risks but believe such an approach is necessary. It will demonstrate our commitment and produce a firm timetable and focus for action, not just by Government but by others. I see no other way in practice to ensure that the detailed work required of a large number of government departments is coordinated and kept to time. Essentially this amounts to imposing the equivalent of Rayner-type disciplines in order to manage the programmes in a business

JG1BFT

like way and identify clear lines of responsibility. In any case, I am sure we need a system of internal targets and deadlines, even if we decide not to make them public.

4 Whether or not we issue a White Paper, we must decide the next work to be done by officials, so that they can take it on during the holiday season. I see no need for a meeting to discuss the interim report but it would be helpful if a firm timetable could be set for the next phase. I suggest that we should aim to agree about 20 areas for inclusion in the programme by 18 September. This would take into account their particular circumstances and the programmes already started or in prospect.

5 Based on this work the detailed plans for individual government departments in those areas should then be ready by 30 October. I realise that this will have to run in parallel with the PES discussions but I see no alternative if we are to maintain the momentum; in any case we shall look principally to the better direction of existing funds rather than increases in expenditure. Obviously it would be helpful if you could set a timetable of this kind yourself.

6 I am copying this minute to Sir Robert Armstrong.

DY

27 July 1987

DEPARTMENT OF TRADE & ~~INDUSTRY~~

JG1BFT

PRIME MINISTER

INNER CITIES INTERIM REPORT

You had a word with Lord Young this afternoon about Sorenson's interim report on the interim cities. But I think it would be helpful for you to give some comments to Sorenson to guide the next stage.

I recommend you to write as proposed by the Policy Unit. There is however a question over the identification of 20 specific areas. The Policy Unit are against this, proposing that the Government states that its policy is aimed at all urban areas then internally to identify those areas where most progress is already being made which could then be highlighted as shop windows for the Government's policies. Lord Young, however, is in favour of identifying the areas, which would be ones where specific initiatives are already being taken. They would not be identified publicly.

There is also a question whether you want to allow officials to plan for a White Paper on inner city policy.

I recommend:

(i) you write generally as proposed by the Policy Unit;

(ii) you agree to provisional identification of 20 areas but say that these must not be new - they must be areas where existing initiatives are already underway; you will want to consider the wisdom of identifying areas in this way at a meeting in the autumn and in any case your present instinct is that it would be wrong publicly to announce them;

(iii) you are content provisionally to plan on a White Paper, which might help bring together the common threads of policy on education, housing and local

authority finance, as well as policies more directly focussed on inner cities; but again you will want to take a final decision in the autumn;

(iv) you have asked for a meeting of E(UP) before the end of September and the final report must be ready in good time for this.

To encourage Sorenson in the face of all your comments I would also say that you think the interim report is a useful start, (though I am not myself sure that it is so very useful).

Content?

DRN

DAVID NORGROVE

28 July 1987

VC2APJ

MR WICKS

MR NORGROVE

I attach, for your information, a copy of the minutes of a meeting on inner city policy presentation held here last Monday.

SIMON DUGDALE
28 Jul 1987

MINUTES OF THE THIRD MEETING OF MIO(IC), HELD AT 10 DOWNING STREET, MONDAY, JULY 27, 1987

Those present:

Mr B Ingham (Chairman)	-	No 10
Mr E Sorensen	-	Cabinet Office
Mr B Mower	-	Home Office
Mr D Wilkinson	-	DES
Mr D McDonald	-	DOE
Miss R Christopherson	-	DHSS
Mr O Prince-White	-	COI, Manchester
Mr A Thompson	-	Welsh Office
Mr S Reardon	-	D/Employment
Mr F Corbett	-	Scottish Office
Mr A Moorey	-	DTI
Mr T Perks	-	No 10
Mr S Dugdale (Secretary)	-	No 10

Apologies for absence were received from:

HM Treasury

The **Chairman** welcomed Mr Eric Sorensen, Cabinet Office, and introduced the members of MIO(IC) who had, he said, identified three main points to consider in the presentation of inner city policy:

- the lack of a coherent inner city policy as such;

- the desirability of appointing a "Minister for Inner Cities" as a figurehead;

- the need for a systematic attempt to co-ordinate Government activities across Departmental boundaries.

COI, Manchester then summarised the views of COI's regional directors as:

- the need to define what was meant by the term "inner city" and the areas to which it was applied;

- the need to establish a focal point within each region, both to co-ordinate Departments' activities and to provide a single Government spokesman in the area;

- the desirability of producing a logo and other presentational material to help identify cohesion in the Government's efforts.

He added that Peter Davenport of The Times now had a roving brief on inner cities and might be receptive to stories and feature material on the subject.

Department of Employment said that information staff had long recognised the need for co-ordination. Through MSC, the Department expected to be highly involved in inner city developments.

Welsh Office indicated that the spread of urban deprivation in Wales was different from that in England; and Welsh Office had its own inter-disciplinary approach to the problem. Despite the differences, Welsh Office would want to be involved in national initiatives.

Scottish Office said that the situation in Scotland was similar to that in Wales; and ways of linking up with national developments were currently being explored.

DHSS pointed out that, to a degree, the Department dealt with cases where other Departments' efforts had failed.

Home Office said that its specific interests were in crime prevention, public order and race relations. Presentationally it might be difficult to stress what was being done on these fronts in inner cities without risk of being accused of ignoring other areas.

Department of the Environment underlined the view that co-ordination would be the key to presenting all the grounds of Government involvement in the inner cities.

Department of Education and Science warned of the difficulties they would be faced with in stressing the inner city application of general policies intended to bring benefits nationwide.

The **Chairman** said that presentation would have to be handled with particular care given the way that inner cities had become a political issue during the General Election. The aim would be to improve the condition of the nation's urban areas, not to make any party political gain.

Responding to these points, **Mr Sorensen** acknowledged the lack of a coherent inner cities policy and agreed that presentation of Government measures would require a good deal of improvisation. He said that the targets of the Government's efforts would vary from time to time, directed at different clients and different problems, but would inevitably be labelled 'inner city' initiatives.

On the question of appointing a single spokesman in each English region, he said that he had been impressed with progress already made by regional civil servants in the co-ordination of their activities. He thought that COI might be a natural existing channel for media contact. On presentational material, he said that he was broadly in favour of its use as a means of relieving ignorance of Departments' work.

Cabinet Office had just completed its interim report to Ministers. It suggested that there should be an authoritative inter-departmental statement of inner city policy, not necessarily a White Paper, to act as a base document from which to operate. There already seemed to be some support for this at E(UP). Subsequent co-ordination was likely to prove more difficult within Whitehall than at regional level.

The interim paper identified 20 separate areas of Government activity. It appeared that Departments' initiatives were most effective when supported by similar schemes by other Departments. They were at their best when clearly structured and co-ordinated and therefore likely to attract private sector support. There were lessons to be drawn from the concentrated efforts made at Salford and Consett. A model of best practice would be useful.

Depending on Ministers' reaction to the interim paper, a more substantial report was envisaged for E(UP) in the Autumn. Individual suggestions - such as a presentational booklet - could, of course, be tackled separately.

On the appointment of a "Minister for the Inner Cities", **Mr Sorensen** said that it was not for his unit to propose this concept; nor could he envisage all Ministers being willing to defer to one or two lead Ministers. Rather, it would draw attention to key issues to which Ministers could subscribe when talking about inner city issues. These would emphasise the collective nature of the problem and the collective solutions required.

No 10 pointed out the difficulty of responding, with a single Government voice, to requests for interviews if a lead Minister were not appointed. **Home Office**, supported by other Departments, repeated the view that co-ordination of policy required demonstrable co-ordination at Ministerial level, citing the recent success of Mr Mellor in leading the Government's attack on drugs.

The **Chairman** said that he, and COI's regional directors, did not share the impression that policies were being effectively co-ordinated. What was required, he believed, was:

- a clear and simple definition of the inner city policy 'product';

- a clear understanding within Government that somebody accepted responsibility, under the Prime Minister, for presenting the policy;

- a clear indication of what was expected of Departments' regional offices and what was needed to improve co-ordination.

He suggested that MIO(IC) could provide E(UP) with a separate paper, or annex to the Cabinet Office report, on presentation. The objective would be to provide Ministers, at an early stage, with the hard facts of what was required to achieve effective presentation. He further suggested that each COI region could prepare the story of what had been done so far to improve the urban environment in its area. As well as providing a presentational baseline from which to start, the exercise would serve to underline the continuity of the Government's approach to urban problems.

The desirability of appointing a single Government spokesman in each region was again stressed. Civil servants could fulfil the need where factual corrections to adverse publicity were required; but there was also a need for political rebuffs - by Ministers, relevant PPSs or local MPs.

The Prime Minister would be making a number of inner city visits in September and the **Chairman** would submit to her a paper on presentational difficulties and how they should be handled. This could then form the basis of the proposed annex to the Cabinet Office report for E(UP).

SIMON DUGDALE
SECRETARY
28 July 1987

Prime Minister

~~You have a copy of this report, but another is attached.~~

PRIME MINISTER

Agree to write as proposed? DLV 27/7.

27 July 1987

INNER CITIES INTERIM REPORT

Although Mr Sorenson's interim paper contains some useful material, it still has the hallmark of an unreformed 1960s style urban planner. The vocabulary of 'coordinated programmes' and 'delivery vehicles', together with the proposal to select 20 priority areas, speaks of grand Whitehall initiatives - not building on local enterprise and leadership.

In particular the analysis largely neglects the crucial problem of low motivation in many inner city populations. Economic decline reinforces social decline, creating a culture of welfare dependency. Over-emphasis on a top-down Government approach further reduces the opportunity for personal initiative; we need to anchor our approach on encouraging self-motivation if we are to find a permanent solution. The proposed 'priority action programme' contains little new to carry this forward.

We are preparing an alternative paper setting out practical proposals based on this philosophy. In the meantime we suggest giving Mr Sorenson clearer directions to help ensure crisper recommendations in his final report.

Policy Framework and Key Issues

To make things happen in inner cities, we need to tackle the spiral of economic and social decline through three major levers for change:

- realising development opportunities
- breaking the dependency culture

- encouraging local leadership

In each of these areas there are certain actions which Government - and only Government - can take to create a favourable environment. This includes the relaxation of planning restrictions, the provision of education and training and the reform of rates. Once the Government has established the climate, however, we also need to recognise the role of other organisations outside Government - eg Business in the Community - to act as the catalyst in stimulating the local community and business interests to take advantage of the opportunities.

To help direct the report towards a concrete and practical action programme, we suggest you ask Mr Sorenson to list initiatives - from both Government and private bodies - against each of the three headings above. In the process, you might ask him to tackle the following specific questions:

(a) Realising development opportunities

Land and planning policies are the key to unlocking substantial development potential of many inner city sites, and can be a powerful force for change.

- How can we cut through restrictions to allow any derelict land to be acquired for development on application by an interested party?

- What radical new proposals could be enacted to force the disposal of unused pubic land? ~~(The paper avoids this issue).~~

- Are current incentives, together with development gain, sufficient to attract investment into all areas of dereliction if planning restrictions are removed?

(b) Breaking the dependency culture

In addition to tackling the physical environment, we need to capture the self-motivation and enterprise of the local population - weaning them off welfare dependency.

- Is it feasible to re-design all high-crime council estates along the lines suggested by Dr Alice Coleman? What would be a realistic programme to undertake within available funding?

- What can be done to bring Restart, training, enterprise and employment programmes more into the heart of inner city areas and council estates?

- How can we ensure that inner city communities take advantage of opt-out provisions in education and housing?

- What can we learn from our own experience and the US about the best way of link the local community interest to the economic gain from major developments?

(c) Establishing local leadership

The active leadership to rebuild our major cities can only come from committed local citizens with a personal stake in the success.

- What (if anything) can Government do to help encourage local business leaders to come together into active leadership groups?

- What can we learn from our own experience and the US about the conditions under which local leadership is likely to be successful?

These questions should give a flavour for the kind of specific recommendation that is needed in the final report.

Area Focus

I suggest you say in this that you are not yet convinced. (Lord Young favours the proposal for 20 areas.) DCR

We disagree with the proposal to select 20 specific small areas on which to focus Government efforts. This assumes that developments will only occur in those areas where Government is the leader player; instead we should be encouraging local enterprise and leadership in every major city. We propose simply stating that our policy is aimed at all urban areas, but then internally trying to identify those areas where most progress is already being made - areas which we could then highlight as shop windows for the Government's policies.

Conclusions

There is clearly a danger in asking a Civil Servant who has been closely identified with urban policies of the last 20 years to now propose a new approach. While it is too early to judge, we are nervous that the result may simply be a re-hash of the traditional DoE approach.

We recommend that you ask Mr Sorenson to incorporate the framework and questions above in order to focus his research on the crucial areas.

NRB

NORMAN BLACKWELL

HARTLEY BOOTH

CONFIDENTIAL

PRIME MINISTER

INNER CITIES

The Cabinet Office Interim report on Inner Cities, E(UP)(87)3, is a useful start to our work and sets out clearly the problems with which we must deal. The case studies illustrate the enormous variety of the different inner city areas; there can be no single solution.

2 We need to prepare our next steps but must be careful to avoid raising expectations too high. It will take years for the inner city areas to be restored; by the early 1990s we can only expect to have demonstrated - in a few areas - that solutions are possible. The best way to achieve this will be a comparison of developments in those areas with what they were like in 1987. The preparatory work to establish the "before" position must be done now.

3 We could launch our initiative by a White Paper in the autumn, perhaps with an accompanying document designed for a more popular circulation. It should set out the areas chosen for this purpose, the problems and the action proposed. I recognise the risks but believe such an approach is necessary. It will demonstrate our commitment and produce a firm timetable and focus for action, not just by Government but by others. I see no other way in practice to ensure that the detailed work required of a large number of government departments is coordinated and kept to time. Essentially this amounts to imposing the equivalent of Rayner-type disciplines in order to manage the programmes in a business

JG1BFT

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like way and identify clear lines of responsibility. In any case, I am sure we need a system of internal targets and deadlines, even if we decide not to make them public.

4 Whether or not we issue a White Paper, we must decide the next work to be done by officials, so that they can take it on during the holiday season. I see no need for a meeting to discuss the interim report but it would be helpful if a firm timetable could be set for the next phase. I suggest that we should aim to agree about 20 areas for inclusion in the programme by 18 September. This would take into account their particular circumstances and the programmes already started or in prospect.

5 Based on this work the detailed plans for individual government departments in those areas should then be ready by 30 October. I realise that this will have to run in parallel with the PES discussions but I see no alternative if we are to maintain the momentum; in any case we shall look principally to the better direction of existing funds rather than increases in expenditure. Obviously it would be helpful if you could set a timetable of this kind yourself.

6 I am copying this minute to Sir Robert Armstrong.

DY

27 July 1987

DEPARTMENT OF TRADE & INDUSTRY

JG1BFT

010

cc BG

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

21/7

Jeremy Godfrey Esq
Private Secretary to
The Rt Hon the Lord Young of Graffham
Department of Trade and Industry
Victoria Street
LONDON
SW1

15 July 1987

Dear Jeremy,

CO-ORDINATION OF CORRESPONDENCE ON INNER CITIES

In the course of us working together to ensure co-ordination between our Departments on correspondence which comes to us on inner city issues there have been a few cases where the link has inadvertently broken down and I think that there may be a couple of general lessons to be learnt from these which are worth recording.

First, both our Departments have received letters from the Leaders of prominent city local authorities, who happen also to be significant figures in the local authority associations. Because we have not got our co-ordination quite right in these early days your Ministers have responded to both Leaders without consulting us and we have only just managed to avoid a conflict of responses. Because virtually all proposals raised by major local authority leaders have implications for mainstream programmes such as RSG and HIPs, as well as potentially for other DOE urban programmes, could we agree that this Department either takes the lead in deciding the nature of the response to be made, or is able to contribute to what is sent.

Secondly, No.10 has marked a letter to the Prime Minister from an industrialist in Sheffield to your Department for advice where the main point being made is a criticism of the way in which the policies of Sheffield City Council are holding back regeneration in that city. There is a particular situation in Sheffield which the officials who have provided advice through your Ministers could not reasonably be expected to be aware of and the DOE Regional Director has provided alternative advice as a consequence of this. I think that the general lesson from this case is that where local issues involving a local authority are raised it is again important for this Department to take the lead, or at least be consulted, in the preparation of advice to No.10.

I am copying this to Andy Bearpark at No.10 and Alistair Morgan in the Chancellor of the Duchy of Lancaster's office.

Yours

Brian Leonard.

B H LEONARD
Private Secretary

RECYCLED PAPER

PRIME MINISTER

CANARY WHARF

We are now in a position to give final approval to the Canary Wharf project as described in my letter of 10 July to the Secretary of State for Transport. Barring a last-minute and unexpected hitch, it is on course for completion on 17 July. I attach a short note, for information, of the main points about the development.

Your private secretary's letter of 13 July mentioned your questions about the proposed assurances that substantial profits for the former consortium members - First Boston, Morgan Stanley, Credit Suisse First Boston (CSFB) and Mr Travelstead, would not be involved as a result of the late intervention of Olympia and York; and how assurances would be enforced.

The Chairman of LDDC, Christopher Benson, has been given assurances covering all the former Consortium members, saying (in the case of Morgan Stanley and CSFB that they "would be reimbursed for monies spent to the closing date together with interest thereon. We would incur an exchange rate loss on these monies", and (in the case of the First Boston partnership which includes Mr Travelstead) that "the amounts received in excess of cost are small in relation to our investment". He has also had a letter from Olympia and York which confirms these statements. Morgan and Stanley and CSFB are, of course, lead tenants in the development and are taking buildings on terms in which there may be some element of preference.

There is no means of enforcing assurances of this kind. However, Mr Benson believes that there is value in the assurances. Rothschilds think it most unlikely that any of these firms would make untrue statements in a matter of this kind. There is prima facie reason to accept that they are credible, given the very

powerful bargaining position which Olympia and York have been in as against the existing consortium members whose deal was on the verge of collapse. I believe that we can rest on these assurances in the context of a deal which is overall highly advantageous.

If you are content, I propose as soon as possible today to authorise LDDC to proceed to signature of the deal on Friday; this is subject only to my final satisfaction on the terms of the leasing agreements between Olympia and York and the two banks for their 1.5 million square feet of office space, as we have stipulated.

These negotiations have been long and wearing. However, they have at last been successfully concluded. The Chairman of LDDC in particular has devoted a large amount of personal energy to pulling the deal off. It represents a real vindication of our policy of creating Urban Development Corporations, and I shall want to present it as the success that it is.

I am copying this minute to all members of the Cabinet and E(A), and to Sir Robert Armstrong.

N R

July 1987

CANARY WHARF: FINAL SHAPE OF THE PROPOSALS

The proposal for the full Canary Wharf development has, throughout been for 12m sq ft of office and ancillary (hotel and retail) development on and around Canary Wharf in the Isle of Dogs. That remains the ultimate intention. It is to cover 70 acres, including 24 acres of water, 20 acres of the land belonging to LDDC.

2. Agreements now being made are for Phase I of this scheme - 5 million sq ft of office and other accommodation, on land including the LDDC's. The latter are selling the freehold in return for guarantees of completion of major infrastructure works costing some £200m (and really the first stage of Phase I) and of the completion and occupation of 1.5m sq ft of space for "front-office" use by Morgan Stanley and Credit Suisse First Boston (CSFB). Those guarantees have been provided by the terms of agreements between LDDC and Olympia and York (O & Y); and between O & Y and the two banks. In addition, O & Y are undertaking in the same agreement with the banks themselves to provide a further 1m sq ft which has to be mainly for financial services by 1990.

3. Of the members of the original consortium, First Boston and Mr Ware Travelstead have effectively dropped out - though First Boston remain nominally associated with the project and are signatories to the MBA. Morgan Stanley's and CSFB's involvement, as lead taker of space remains substantial.

4. Much has been made in the promotion of the scheme of the height of 3 proposed buildings, going up to 850 feet each (the Nat West Tower is some 650 feet). These are given permission under the Enterprise Zone scheme, and have been the focus of much criticism on environmental grouns. O & Y have given notice that they have in mind reducing the height (but not the value) of the infrastructure, and also the height and massing of buildings. Precise details of what is proposed will not be available for some weeks.

COMMERCIAL IN CONFIDENCE

CCBG

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

Our Ref : C/PSO/6861/87

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

15 JUL 1987

Dear Nicky.

NBBR

CANARY WHARF

Thank you for your letter of 10 July.

In considering whether I can accept the proposed take-over of the Canary Wharf project by Olympia and York, I need to be satisfied that it is the best deal that we are likely to secure for financing a western extension to the Docklands Light Railway and that the new Consortium really will be able to deliver their assurance to go ahead on the basis of the existing draft Railway Agreement. To this end my officials have met representatives of O & Y, together with the First Boston and LRT.

First, as regards alternative proposals for a western extension to the railway, I am satisfied that any reasonable alternative is unlikely to attract private finance on a comparable scale, and that we should accordingly have to settle for an inferior transport solution at no less cost to the Exchequer, or the same solution at greatly increased cost.

Secondly, it does appear that O & Y are willing to take-over the Railway Agreement in its present form, subject only to necessary changes in the description of the Consortium and of the guarantors. LRT will need to sort out with O & Y arrangements for re-designing the station at Canary Wharf and for covering any enhanced costs as a result. But that can be achieved on the basis of a side agreement between them.

I am prepared to rely on your view, backed by Rothschilds, as to the financial standing of O & Y. LRT will be carrying out their own checks on them also.

In summary, I agree with your view that we should accept a deal with O & Y on the proposed terms and I am prepared to authorise LRT to go ahead accordingly. I also agree that if we cannot do so by 17 July we should be prepared to open the area up to competition.

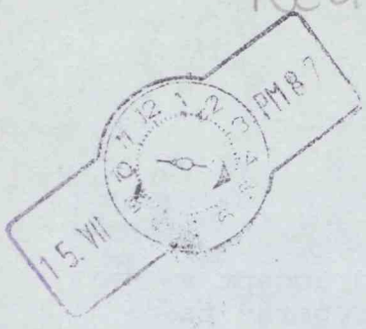
I am copying this letter to the Prime Minister and other members of the Cabinet and E(A).

Yours,

Paul

PAUL CHANNON

REGIONAL POLICY : Inner cities
PR 10.



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COMMERCIAL-IN-CONFIDENCE

cc BS

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

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

15th July 1987

Dear Nick,

NRBM

CANARY WHARF

ok Nap

Thank you for copying to me your letter of 10 July to Paul Channon.

I note that you have agreed a short extension of the deadline for exclusive negotiations to 17 July. This seems sensible given the need to allow Olympia and York, as new participants, some time to finalise their position.

I hope that we can now take 17 July as a final deadline. It would obviously be unsatisfactory to allow the Consortium to use a change in participants brought about by their own inability to conclude a satisfactory deal as an excuse for spinning out negotiations still further.

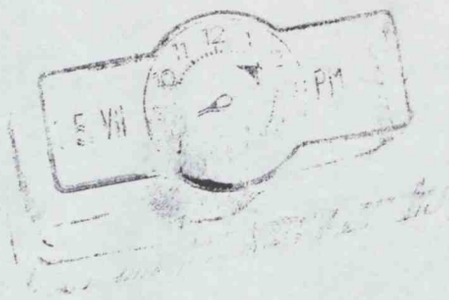
I can see that there is a need to make a statement on alternative developments if the current negotiations break down. But we must not commit ourselves to spending on infrastructure required for these developments without a careful appraisal of the costs and benefits. In particular, the options for a western extension of the Docklands Light Railway and for tapping private sector resources to help finance them will need careful consideration. I must ask that you agree any statement you propose to make with me in advance.

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

Yours Ever,
John

JOHN MAJOR

REGIONAL POLICY: Inner Cities
PaN 10.



COMMERCIAL IN CONFIDENCE

SLW

bc BG

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

13 July 1987

Dear Brian,

The Prime Minister has seen your Secretary of State's letter of 10 July to the Secretary of State for Transport about the latest position on Canary Wharf. She has noted that the consortium and Olympia and York would provide assurances to LDDC and Government that substantial profits for consortium members would not be involved as a result of the late change in the membership of the project. She would be glad to know what precisely this means and how those assurances would be enforced.

BF

I am copying this letter to the Private Secretaries to the members of the Cabinet, E(A) and the Secretary of State for Transport.

Yours,

(DAVID NORGROVE)

David.

Brian Leonard, Esq.,
Department of the Environment.

COMMERCIAL IN CONFIDENCE

COMMERCIAL IN CONFIDENCE

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon Paul Channon MP
Department of Transport
2 Marsham Street
LONDON
SW1

Prime Minister 2
See in particular
the passage side-lined, X,
on the fourth page.
DHS
10/7.

10 July 1987

Dear Paul

CANARY WHARF

Following discussion between officials, as you know, I have agreed that LDDC should continue their exclusive discussions with the Canary Wharf Consortium until the date now set as the final one for extension of the rail contract, 17 July. I understand that the reason for that date is that London Regional Transport (LRT) cannot agree to any further extension.

The new factor, of which you are aware, is the late intervention of Olympia and York* as potential participants in the project. This is in some ways a welcome development; indeed both Mr Benson, the Chairman of LDDC believes, and First Boston as the leading firm in the Consortium take the view that this is the only means of keeping the present deal alive. However we need to consider it very carefully, against a tight timescale, in order to satisfy ourselves that it is commercially and politically acceptable. And I have to say that, given the history, my patience, and no doubt that of colleagues, is very near an end.

THE PROPOSAL

The proposition in front of us is this:

(i) Olympia and York would assume primary responsibility for financing the development and carrying it out, ultimately to 12.2m sq ft as originally envisaged'

(a) First Boston would (probably) remain as minority partners and signatories to the MBA;

(iii) Olympia and York would become guarantors in the place of First Boston;

(iv) the design of the infrastructure - and the quality and extent of the "civil facilities" - would be "similar" but

* Canadian property company owned by the immensely wealthy Reichmann family.

100% RECYCLED PAPER

lower. It would still accommodate buildings with a minimum floor area of 5m sq ft. Changes to permit this would need to be permitted after signature of the MBA, subject to assurances on these basic points by Olympia and York;

(v) No changes would be required to the terms of the rail agreement;

(vi) Morgan Stanley and Credit Suisse First Boston would, as before, be contractually committed to the first 1.5m sq ft gross;

(vii) The Consortium and Olympia and York would provide assurances to LDDC and Government that substantial profits for Consortium members would not be involved as a result of this late change;

(viii) O & Y would provide confidential evidence of their financial standing.

The substance of the deal, including the elements which the Government has stipulated as essential requirements if the freehold was to be sold in advance of development is thus the same. This is to be a major development for front-office accommodation based on early commitment to take space by financial institutions. Olympia and York are an institution with a very high reputation indeed in the world of property development. Rothschilds are confident about the financial standing of Olympia and York; but are carrying out the necessary checks.

Mr Reichmann pointed to the fact that they completed due diligence checks between 2 and 6 July as supporting evidence for their confidence that the remaining paperwork could be completed by 15 July, leading to signature on the 17th.

IS THE DEAL SATISFACTORY IN SUBSTANCE?

What is proposed gives us what, with our support, LDDC have been negotiating for over a long period. Indeed, given the reputation of Olympia and York, developers among other things of the World Financial Centre in New York, it gives much greater confidence that the development will go ahead on a speedy timescale to 5m sq ft and very likely beyond than we had when the developer proposed was First Boston/Travelstead. First Boston confirm that it is the intervention of Olympia and York that has removed the difficulties between them and the 2 banks.

I have considered the alternatives. It seems probable that, without the appearance of Olympia and York, negotiations would have collapsed this week even if the further extension of the timetable to 17 July had been granted. In those circumstances, I believe, there would be no alternative but to authorise LDDC to seek a competitive alternative scheme from other developers. A number of substantial British developers have expressed interest

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both to me and to LDDC. Nevertheless, it is clear that the scale of any alternative project evolved in these circumstances would be substantially less, and the spin-off benefits both for the Isle of Dogs and for the Royals would have been much reduced. This in turn would mean that the western extension of the railway would have to be radically reconsidered; we know that LRT have given preliminary thought to alternatives and have ourselves concluded that it would be necessary to have a positive statement to make about it at the time when negotiations broke down.

Nevertheless we should certainly be faced with a smaller development scheme on a longer timescale. The public expenditure and resource implications of this sequence of events are complex and hypothetical (depending in part on the consequences for development of the Royal Docks of this major project falling) as I illustrated in the material which I put before colleagues for the discussion at E(A) on 25 February. It may be that there would be some short-term savings in public expenditure, but with a probability of lower receipts from the sale of land in the Royal Docks.

In addition to that, the Consortium have acquired substantial land holdings around Canary Wharf, and could no doubt carry out a development on these holdings. LDDC believe that their 17 acre holding could also be developed independently. Nevertheless, given the marriage value of these holdings, it is evident that any major and successful development, even on a smaller scale than that under consideration, would need to be undertaken by some form of collaboration including both the Consortium and LDDC - as well as other possible partners. That would not speedily be put in place, given the history.

There therefore seem to Mr Benson, as there do to me, substantial arguments in principle for continuing to seek agreement with the Consortium on the basis of the present draft agreements - subject to the considerations that I now turn to.

THE CASE FOR COMPETITION; CRITICISM OF THE DEAL

We have had approaches from other developers, including major British firms, and have told them that if the present negotiations break down we shall want to open the project up to competition. I have no doubt at all that we should face criticism from these firms, and from the consortium of British contractors with whom First Boston have been negotiating as potential partners as well as for further construction work, if we admit a new participant at this very late stage. There will be a great deal of press comment. However, those who have approached me and LDDC have made it clear that they had a smaller development in mind. They were not offering an alternative way of securing development on the scale of that which is before us. And in terms of opening opportunities to a wider range of contractors, I believe that the change is entirely defensible. I believe also that we can legitimately distinguish the case of a developer willing to join the Consortium

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and take on its obligations under the project substantially as they stand from firms with more modest proposals. Olympia and York are the only organisation which has come forward to stand behind First Boston and their associates with a persuasive offer of carrying through the deal for which we have been negotiating for so long. Their world-wide reputation as developers is a substantial reassurance of the quality and the likelihood of success of the development. I believe, indeed, that it is a demonstration of the success of the docklands enterprise as a whole.

I should inform colleagues of a rumour that has reached me of a possible take-over by Olympia and York of MEPC - with an implication of unfair competition as a result of Mr Benson's position as Chairman of LDDC and Managing Director of MEPC. My Department has been kept informed by Mr Benson of previous transactions between Olympia and York and MEPC. The latter brought O and Y's interest in the English Property Corporation in 1985, with its Managing Director, Mr Stanley Honeyman remaining as a member of the MEPC Board for a short time afterwards. Mr Honeyman has retained some links with O & Y.

Mr Benson has assured me that he is wholly unaware of any interest by Olympia and York in acquiring MEPC; and that if that were to happen the board would resist it. However, if it did happen, there would clearly be an irreconcilable conflict of interest for Mr Benson. I am accordingly asking for an assurance from Olympia and York that, if they do participate in the project they will not seek to take over MEPC for a period of two years. I have provisionally received such an assurance.

As I have said, I believe that it would be helpful presentationally if the proposal to retain First Boston as partners, even as very much in the minority in the project and co-signatories of the MBA is maintained; or, still better, if the deal as struck is with the present consortium, First Boston in the lead, on the understanding that it is proposed to sell on the major interest at once to Olympia and York. But I do not think this is a consideration on which the deal should stand or fall. I have also asked the LDDC to negotiate robustly on the final details, including the piece of land, during the remaining few days.

CONCLUSION

My view is that the present deal with O & Y is defensible in political terms and in terms of commercial prudence and financial propriety. On balance, I commend a deal on these terms to my colleagues, and would like to let the participants know this by the beginning of next week so that final agreements can be struck by 17 July. If we cannot, however, strike a successful deal by 17 July, I believe that we should accept that, on the basis of a very

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positive statement, especially about a western rail extension, we must invite LDDC to open the area up to competition.

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

NICHOLAS RIDLEY

This is 100% recycled paper

With the Compliments of

The Lord McAlpine of West Green

40 Bernard Street,
London, WC1N 1LG

Mowlem
John Mowlem and Company PLC
Registered Office
Westgate House Ealing Road Brentford
Middlesex TW8 0QZ United Kingdom
Telephone 01-568 9111 Telex
International tel + 44 1 568 9111 24414

By Appointment
To Her Majesty The Queen
Building Contractors
John Mowlem & Company PLC
Brentford

222 1135

FACSIMILE TRANSMISSION FAX NO: 01 847 5146

GROUP 3

TO: Sir Robert McAlpine & Sons FAX NO: _____

ATTENTION: Lord McAlpine of West Green

DATE: 10th July, 1987.

SUBJECT: Canary Wharf

REMARKS: Letter from Trafalgar House

pa

(We have already dealt with this).

FROM: Philip Beck

EXT: 3218

(No. of pages to follow: 1)

09.07.87 15 .15

TRAFALGAR HOUSE

PUBLIC LIMITED COMPANY

1 BERKELEY STREET · LONDON W1A 1BY
TELEPHONE 01 499 9020 · CABLES · TRAFULGENT
TELEX 921341 · FACSIMILE 01 493 3484

FROM THE CHAIRMAN'S OFFICE

NB/SAL/TH/104

The Rt. Hon. Margaret Thatcher, PC, MP,
Prime Minister,
10 Downing Street,
London,
SW1A 2HB.

BY HAND

9th July 1987

Dear Prime Minister,

Canary Wharf - London's Docklands

Over the last few weeks there has been much speculation regarding the likelihood, or otherwise, of the Canary Wharf development scheme proceeding. I'm given to understand that negotiations with the proposed developers are at crisis stage. The purpose of this letter is to assure you that a British group could be put together in a very short time to take over the whole of the development and construction of Canary Wharf, either in its present form (subject to viability) or in a suitably amended form.

Please rest assured that we have no desire whatever to disturb a happy conclusion to what's going on at present - it's just that, as we regard the project as one of national importance, we felt you should know there's a British alternative in case of need. You already know of my sustained commitment to the LDDC since my involvement there.

Yours sincerely,

Copies : The Rt. Hon. Nicholas Ridley PC
The Rt. Hon. The Lord Young of Graffham PC
C.J. Benson Esq. FRICS

DIRECTORS · SIR NIGEL BROACKES (CHAIRMAN) · R W PARKES (GROUP CHIEF EXECUTIVE)
O H B CARTER · W SLATER CBE VRD · THE MARQUESS OF TAVISTOCK · V A GRUNDY
A W CLEMENTS · O R KNIGHT CBE · D M CLEMENTS · J R

REG. POL — Inner Cities

CONFIDENTIAL

PRIME MINISTER

CANARY WHARF

The latest deadline for agreement on the Canary Wharf contract expired today. It turns out that the newspaper reports this morning were partly right.

As you know, Credit Suisse First Boston and Morgan Stanley have reduced their role in the project to the point where they would undertake to occupy a certain square footage of the new buildings and to provide the finance associated with that. First Boston has become the main promoter and financier.

The Master Building Agreement is ready, but the consortium cannot raise the necessary finance. The latest development is that a Canadian developer has emerged with a suggestion that he might take a major stake. Credit Suisse First Boston and Morgan Stanley would withdraw altogether and First Boston's stake would be reduced to ten per cent.

When last I heard, discussions were continuing in DoE and in the Department of Transport and it looked as though Mr. Ridley and Mr. Channon would, with the greatest reluctance, agree to a further extension of a week provided the consortium were prepared to meet the costs of the deal (which would arise mainly on the transport side). But the position was still unclear and Mr. Ridley is likely to report tomorrow.

Rosehaugh Stanhope and Trafalgar House have both expressed a strong interest in stepping in if the present deal falls through.

I should add that the DoE private office themselves seem to be in some uncertainty about what is going on so the details of this may not be entirely accurate.

Suzanne.

pp (DAVID NORGROVE)
7 July 1987

CONFIDENTIAL

CONFIDENTIAL

P 02764

PRIME MINISTER

Urban Policy: E(UP)(87) 1st Meeting

DECISIONS

The main purpose of this first meeting of the new Ministerial Sub-Committee is to agree on a work programme to be put in hand without delay. The key decision required, therefore, is whether the Sub-Committee endorse the proposals for coverage and terms of reference of a new report on urban policy as set out in paragraphs 9 and 10 the paper.

2. In order to guide the study it would also be helpful to have the Sub-Committee's views on a number of questions raised elsewhere in the paper. These are listed in paragraph 7 below.

MAIN ISSUES

3. There are clearly issues of both substance and presentation. On substance, the predeterminant of success (in generating growth, reducing unemployment, controlling inflation etc) is obviously the Government's overall macro economic policy. No mix of specifically directed urban policies will be effective unless the macro framework is right. But within that, the Government must be satisfied that the individual components of "urban policy" (which is no more than the sum of its parts - housing, education, law and order etc) are effectively directed and co-ordinated. And spending on all these individual programmes must remain consistent with the Government's policies for restraining expenditure by local authorities - the main local agents.

4. On presentation, there is no need to stress that, particularly in the light of pre and post election publicity, the Government must be able to maintain credibility for its urban policies, and to obtain better credit than hitherto for the substantial effort and resources

devoted to them.

Proposal for New Report

5. Against this background the paper proposes that a new report should be prepared (an interim version by the end of July, and a final one in mid-September) to enable Ministers, under your direction, to satisfy themselves on the two main points above and to be in a better position to redirect priorities and resources as required. Mr Sorensen has now been seconded to the Cabinet Office from DOE in order to produce this report. What is needed is that he should be given the green light to go ahead as quickly as possible.

6. Part of the report will necessarily be a pulling together of existing strands. A complex mix of policies, and a wide range of agencies, is involved, and the picture can be very confusing. But the report will also aim at early action. Paragraph 9 of the paper lays stress (at Lord Young's request) on "the selection of target areas where a joint effort by Departments would be made, and where early results might be expected".

7. In carrying the work forward, it will be helpful for Mr Sorensen to be guided by Ministers on a number of leading questions. Extracting from the paper, I list these below and you may wish to take the Sub-Committee briefly through them:-

(i) Objectives: are the Government's main objectives to rebuild the economies of inner cities and to give those living there the maximum choice and opportunity, whilst supporting those who need help? (paragraph 2);

(ii) Private Sector: should it also be an aim to maximise the contribution to the above objectives of private sector-led activity and investment? (paragraphs 2 and 3);

(iii) Reassessment of existing Programmes: should the report include a reassessment of the priorities and coherence of existing programmes? (paragraph 4);

(iv) Exchange of Information: does the present exchange of information about programmes need to be improved (with maximum economy of paper-work) and analysis undertaken of how the present rules inhibit worthwhile initiatives? (paragraph 5);

(v) More concerted approach: should there be a more concerted approach to the selection of priority areas and the application of policy instruments to areas' particular problems? (paragraph 6);

(vi) Selection of areas: should further work be done on selecting areas where cost-effective impact can be achieved over a reasonable timescale? (paragraph 7);

(vii) Presentation: is there scope for improving and coordinating presentation and publicity initiatives? (paragraph 8).

8. The answer to most of these questions is self-evidently "Yes". But it will be helpful to have the explicit endorsement of the Sub-Coommittee for purposes of taking the work quickly forward within the suggested terms of reference or something similar to them.

PRESENTATION

9. The Government's critics have sought to exploit alleged confusion about the coherence of the Government's urban policies. It would be sensible, therefore, for all Ministers, in addition to answering for the individual areas for which they are responsible, to take an agreed general line when answering questions, making speeches and so on. I understand that Mr Ingham is sending you some suggestions on how this might be handled. You may wish to discuss these with the Committee, and to indicate how you will ask him to handle the press on this meeting.

NEXT STEPS

10. If the work programme is approved, Mr Sorensen will aim to circulate an interim report before the end of July, followed by a final report in mid-September. You may wish to judge in the light of progress and of other pressures whether a further meeting of the Sub-Committee will be necessary before the end of July, or whether this could wait until the full report is available in September.

HANDLING

11. Subject to any opening remarks that you may yourself wish to make, the paper is self-explanatory and I suggest you take the Sub-Committee quickly through the terms of reference and the questions in paragraph 7 above. Most of the members of the Sub-Committee will no doubt wish to comment both generally and from the point of view of their own Departmental responsibilities.

J B UNWIN

6 July 1987
Cabinet Ofice

CC BS

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

Timothy Walker Esq
Private Secretary to
The Rt Hon The Lord Young of Graffham
Secretary of State
Department of Trade and Industry
1 Victoria Street
LONDON
SW1H QET

6 July 1987

Dear Tim,

My Secretary of State has asked me to circulate the attached draft of his speech on inner city issues which he is giving to the Greater London Area Conservative Political Centre, tomorrow evening, for your information.

I am copying this to Private Secretaries of all Ministers on E(UP) and Mr Trippier, and to Sir Robert Armstrong.

Yours

Brian Leonard.

B H LEONARD
Private Secretary

Prime Minister

This is right course for a political audience, but its tone strikes me as wrong.

The only particular point which I suggest goes over the top is marked on page 10.

DCW
6/7.

RECYCLED PAPER

DRAFT SPEECH ON INNER CITIES

In asking me, you said that, if there were to be a June election, this would be a victory dinner. You were prophetic on both counts. We can be justly proud of our victory - and each of us in our individual contribution to it.

For us, the victors, there is work to do, problems to solve. But for Mr Kinnock, the loser, the next campaign has already started. I imagine he is out canvassing tonight. But what an error of judgement to think that it is more electioneering that is needed: What he needs to do is to get the right attitude to political problems, the right answers.

We are determined to get the right answers. Let me search for some.

There is much talk of the North/South divide, as if we were in Korea, with the Communists in control in the North and a Right wing Government in the South, and a heavily patrolled frontier in between. The reality of course is quite different. Most country areas in the kingdom remain prosperous, with fairly low levels of unemployment. But in the older industrial cities prosperity has not yet returned. These areas are not just "northern" cities. People living in the Midlands and in some areas of inner London or even in cities like Bristol must feel that the definition of the North/South divide as it is commonly understood (the "poor"

North - the "rich" South) does not fit their experience. Neither does it fit the experience of residents of Boothferry, Brigg and Cleethorpes, Ryedale or Batley and Spen!

I know it is a shred of comfort to Labour, but also too much is made of the political "divide". It was certainly true in the election that we did not do as well in Scotland or Wales as we would have liked - for reasons I believe which have much less to do with any divide in prosperity and more to do with concepts of national identity, and I believe a lack of understanding of what we stand for as a Party; problems we must recognise, but not panic about! In many parts of the North of England and the Midlands, the Conservative Party still thrives. In the North West, we won 34 seats to Labour's 36. In Yorkshire, we won 21 to Labour's 33. In the West Midlands we won 36 to Labour's 22 and in the East Midlands 31 to Labour's 11. The fact is as several commentators have pointed out, that there has tended to be a political "divide" in this country for a long time but the important trend I would identify for the long term is that whatever "dividing line" exists seems to be moving further and further north and beneath that dividing line the Labour Party is gradually disappearing without trace. The Labour Party has only three seats below the Wash outside London, and is losing ground rapidly in London too. Compare that performance with the performance of the Conservative Party in the North, even in Scotland, and I think it is clear that the Labour Party has rather more fundamental questions to ask itself than we have to

ask ourselves. In passing, it doesn't help when Gerald Kaufman writes an article in the Guardian which argues that the Labour Party "must set its sights on the self-centred South". Very few people in the South or anywhere else like being sermonised on their supposed moral shortcomings especially by Labour politicians. To Conservatives I would say that the fact that we did not win all 650 seats in the House of Commons is not really a cause for alarm and despondency. As we bring back prosperity to inner cities we will no doubt increase our majority, but some opposition helps keep us on our toes!

But to return to the real issue of the "divide" in prosperity, it is an inner city problem. We all know the history.

Our older cities grew rich on the industries of the Industrial Revolution; coal, steel, shipping and shipbuilding, heavy engineering, railways, cotton and much else. Their economies were based on the import of food and raw materials from the Empire, in return for the export of manufactured goods.

But that all changed. Empire changed to Commonwealth. The old heavy industries lost their world markets as demand decreased, as the Empire ceased to be a protected market. They may for decades have been uncompetitive but they became more uncompetitive. Thus Trade with the Commonwealth was displaced increasingly by a different sort of trade with Europe. And we are now virtually self sufficient in temperate food-stuffs.

uncompetitiveness and falling markets were exacerbated by weak management and strong trade unions both defending deeply entrenched restrictive practices.

As markets were lost, and prosperity declined, the cities became more and more derelict. The tendency has been for the political representatives and union leaders in many of these areas to look for scapegoats for this elsewhere. It was always someone else's fault. It could not be the trades unions fault, or the fault of restrictive practices, or low productivity. It was partly the fault of the "bosses", but more - much more - according to the unions and local politicians and indeed some of the bosses - the fault of the "wicked Tories" who "starved" the cities of money: who "prevented" new investment; who "refused" to build the necessary infrastructure; and who on some strange whimsy conducted a mindless and vicious campaign against the inner cities and the people who lived there.

These allegations have never been true. Even those who cannot find it in their hearts to credit us with good intentions might at least rise to the cynical view that no political party deliberately sets out to alienate vast chunks of the electorate by pointless exercises in malign neglect. Or does it? The Labour Party does seem to have achieved that in the whole of Southern England.

Successive Governments - Labour and Conservative - have had successive regional policies; putting money into new industries which often faded away in due course. The first Act I remember as a new MP was the Local Employment Act 1960. Since then we must have had half a dozen new "regional policies". This Government still spends £821m per annum on promoting new industry, and regional assistance, quite apart from the DOE programmes - which currently are approaching £600m for Urban Policy, as well as the transfer of £1bn of Rate Support Grant from South to North.

Conservative Governments in particular have rebuilt the Northern infrastructure at vast expense. I remember Lord Hailsham's initiative to get the road programme moving in the North East, the West of Scotland and the North West in 1963 . Communications in the northern cities - roads, railways and air services are now often far better than in the rest of the kingdom. The North West for example is served by an excellent motorway and trunk road network. The problems of congestion from past <u>under-investment</u> come if anywhere in the traffic bottlenecks of London and the South East, and East Anglia and parts of the South West. This is because priority in road building has for decades been given to Scotland and the North.

And is there a lack of money? Far from it. Just look at the RSG figures. The Exchequer is currently providing in grant about £275 per head in England, £420 in Wales and £430 in Scotland.

So we have a situation in which even though a vast amount of money is redistributed both to the North, an in particular to our older industrial cities, the cry goes up that it isn't enough, that the South is "hogging" it, that it is "self centred" and the Tories "don't care". Somehow the problems of the inner cities become the fault of the successful South and those grasping "yuppies" - those unreasonable young people who want to work hard to earn money and to succeed - and incidentally to pay more in taxes to support public spending programmes in the regions! The politics of inner cities has become pork barrel politics about which Party can get most out of the taxpayers. Having entrenched the concept of the unfair deal, however untrue that is, it is a winner to campaign for a fairer deal. And its a competition which it is hard for Governments to win. It is interesting that we have always done best in the North after a period of Labour Government.

In this atmosphere - the atmosphere of knee-jerk appeals to envy - the Labour Party thrives. It gets people nowhere and it gets the Labour Party nowhere as more and more people benefit from private sector led economic success. It persists though where people are attracted by the promise of even more of someone else's gold , although it is always "over the rainbow".

We can't be mealy mouthed about why the inner cities have not shared in our prosperity. Apart from the industrial legacy of this past, which I have described. One of the key reasons is

That the strategem of building a political power base on blaming others for the ills of the local economy is one of the worst enemies of success because it denies personal responsibility. A local workforce with local political leaders who argue that when things go wrong they cannot be held responsible are not likely to attract employers or will not keep them for long if they do. Bill Deedes in the Telegraph a fortnight ago told a moral tale which illustrates my point very well:

"Goodness" he said, "What trouble I was in when Rolls Royce sought to build in my southern constituency and was ordered elsewhere. In 1963 I went up to see the opening of the £23¼ million Rootes pressed steel plant at Linwood near Glasgow. It offered jobs to 4,000 redundant shipyard workers and was to produce a world-beating car. From day one industrial trouble converted it into a disaster".

I would add as a postscript that no doubt the Tories were blamed.

There is a doctrinal problem too. Socialists see the solution as more Socialism; more controls, more public money; more public ownership; more direction of industry and investment; more power to trades unions. In this country, Socialists will not accept what most Socialists in other European countries have accepted. They will not accept the solution of more freedom, fewer controls, lower taxes and rates, more private investment and people working for their own benefit which becomes benefit for

e Community because it generates wealth. But it is a solution which has worked wonders outside our inner cities, outside Socialist municipal control.

There has been a half-consensus that the solution to these problems should be based on partnership between the public and private sectors and between central and local government. On the whole this approach has worked where Local Government shares with central government a positive attitude to the private sector and an understanding of the incentives businessmen need to locate in one areas rather than another. However in too many of our inner cities, the philosophy of those who represent and defend the public sector cannot be reconciled with private enterprise. There is no meeting of minds between private enterprise and those who believe in state control; or between industrial competitiveness and those who defend restrictive practices; or between the need of businesses for low taxes and rates and the belief in high public spending; or between those who need to make profits to survive and those who think that profits are morally evil. Nor is it possible to reconcile dislike of private capital with the needs of the cities for large investment sums.

Where there is a clash of philosophy the private sector is driven out. It is, after all, a matter of choice for them. Robert Kilroy-Silk described the phenomenon in an extreme form in Liverpool. He said:

The Militants and their ilk are the biggest deterrent to job creation on Merseyside. Dozens of times in the last few years I have tried fruitlessly to persuade companies to locate on Merseyside or in Knowsley. Each time the decision went against us because of their perception of our Militancy"

Partnerships can only work where the partners share at least some understanding and some of the same philosophy. There is an old adage which says that a marriage should be founded on incompatability - provided the husband has the income, and the wife has the patability. But I don't think that applies in this case. In areas where it does not work and with the continuing leftward drift of the Labour Party, the prospects are not encouraging, what is the Government to do? Produce more money and see it wasted? Be blamed for the resulting unemployment and squalor? We need more direct and targetted initiatives. That is why we are pioneering the CTC's, UDCs, mini-UDCs and Housing Action Trusts.

These do not take to Whitehall what should be done locally. They give to local private enterprise and private people both the tools to rebuild that prosperity in our inner cities which they created there in the first place, and the freedom to get on with the job.

I will not rehearse the details of all the policy instruments that we are assembling. Suffice it to say that they all hang

"no holds barred" word do end will be picked up or quoted against us.

together. A strict planning regime in the South, and ~~no holds~~ or ~~barred~~ in the areas of industrial dereliction; higher business rate in the South, a lower one in the North with no chance fo high spending Councils to wreck it. Government intervention - through the UDCs - both maxi and mini - the Urban Programme and the Derelict Land Grant to clear up the mess of the past: the new housing and education policies designed to bring choice and excellence to those drab industrial areas: better training; help for small businesses; grants for community activities. All this is coordinated by the City Action Teams and the Regional Offices. Its a full worked out comprehensive and coordinated programme, designed to give the opportunity for the northern cities to pull themselves up by our bootstraps. But it is they, and they alone, who can do the pulling up.

Thus all our policies are a coherent whole. Our object is to restore power and decision taking to local people, to make them be responsible for their own revival of prosperity and pride. It is an interim step only to intervene where municipal Socialism is standing in their way - by giving choice and decision-making back to the people in housing and education and the level of services which their local authority is to provide. But it does require direct intervention - particulaly where we think it right to create an Urban Development Corporation - in order to clear away the restrictions and the blight. We will be accused of centralization over the months ahead. But I want to make it clear that the long term objective is to give power back to the

people both to shape their own economic revival, and to shape the nature of the Council they elect to perform local services on their behalf.

I have tried to describe the true nature of the problem, and to set it in its true political perspective. It is not North/South, it is City/Surburbia. It is not without doctrinal difficulties, it is not cheap, and what can be spent must be measured against the damage which high rates and taxes can do to the economy both local and national. Caring is easy; a rational, comprehensive approach is what is needed. I hope I have described one tonight.

CeBG.

Ref. A087/1994

MR NORGROVE

Inner Cities: Work Programme

Thank you for your minute of 6 July.

2. I agree that the revised terms of reference for the proposed study are more sharply pointed than those suggested in the Cabinet Office note of 2 July. The main change is of course in the first leg of the terms of reference, and I think that the effect may be to make Departments feel rather more under attack from the study than had been envisaged. That may make it a little more difficult for Mr Sorensen in carrying the study forward, since he will depend to some extent on the willingness of Departments to co-operate with requests for information and so on.

3. In that sense, I believe that the revised terms of reference would be more appropriate for the next stage of the Sub-Committee's work after Mr Sorensen has reported, than for Mr Sorensen's report itself.

4. That being said, if the Prime Minister prefers to put the pressure on now and in this way, the revised terms of reference clearly make a good way of doing it.

MA Woolley
(Private Secretary)

ROBERT ARMSTRONG

approved by the Cabinet Secretary and signed in his absence

6 July 1987

REGIONAL POLICY

INNER CITIES

PT10

CONFIDENTIAL

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

SIR ROBERT ARMSTRONG

INNER CITIES: WORK PROGRAMME

The Prime Minister saw over the weekend the paper setting out the proposed work programme on inner cities (E(UP)(87)2).

The Prime Minister felt that the proposed terms of reference of the study were insufficiently pointed and in particular did not draw attention to the need for the focus of future work to be on ways of encouraging individuals in inner cities to help themselves. She has suggested the following revised terms of reference:

> "To consider the effectiveness with which departmental programmes deliver the government's urban policy, bearing in mind in particular the need to recreate a spirit of initiative and enterprise in our inner cities; to propose changes as necessary both at central and local level, including for improved joint working between Departments and for target areas for such joint working; to make proposals for improving the presentation of the Government's urban policy; and, consulting Government Departments as necessary, to prepare an interim report before the end of July, with a final report in September."

Subject to your views, the Prime Minister would intend to propose these terms of reference at the meeting of E(UP) tomorrow.

p.p. DAVID NORGROVE

6 July 1987

CONFIDENTIAL

CC/81

PRIME MINISTER

3 July 1987

THE INNER CITY

E(UP) 7 July 1987

While the objective has some worthy targets, the terms of reference of Cabinet office officials who will perform them are completely lacking in imagination.

We agree the objectives:

1 Yes, rebuilding economies in inner cities E(UP)872, para 2.

2 Yes, giving those living in inner cities maximum choice and opportunity while supporting those who need help E(UP)2 para 2.

3 Yes, achieving this through private sector activity and growth E(UP)2 para 2.

You might add:

> achieving this as far as possible by tapping local leadership and initiative within the city community (bottom up approach).

But most of the questions posed by the paper are solely about the need for more "co-ordination" and "coherence". Similarly the terms of reference for Eric Sorensen - who is to spearhead Cabinet Office work on these objectives - are a wholly unpromising naval contemplation exercise. (E(UP)2 para 10):

1 Summarise existing Government programmes

2 Analyse current Government programmes

3 Propose how current programmes can be improved by Government departments working jointly.

4 Propose target areas where programmes can be focussed.

5 Present it all better.

Items 1,2,4 and 5 clearly need to be covered, but the implication is that item 3 - improving co-ordination of government departments - is the only significant value provided by the review.

In our view, the review should spend almost no time on this civil service shuffling. We should recognise that with notable exceptions such as our London Docklands and Right to Buy, we have failed with existing policies because they:

- rely too much on injections of Government money
- fail to exploit the full possibility of partnership with the private sector/working with the grain on private sector development
- inadequately address "climatic" changes
- fail to catalyse entrepreneurial leadership
- fail to excite the imagination of the local community.

These considerations should be central to the review.

We should start with the simple proposition that the combination of property development, new enterprise, education, training, employment and housing renovation can release tremendous economic gains for all involved. The key is finding the right leadership (or catalyst) to provide the local energy, enterprise and initiative to make it happen.

We are currently working on our thoughts of how to achieve this. We suggest the Cabinet Office review should also be explicity asked to consider the same agenda:

1 How can local private sector leaders be found and involved? (For example, using the kind of initiative released by existing organisations like Phoenix or BIC.)

2 What marketing programme is needed to enlist every private sector, corporate or voluntary body (eg Rotary Club, Round Table) willing to lend personnel time, money or equipment?

3 How can we best ensure that every available parcel of unused land and waterway be sought and released?

4 What rules and mechanisms are needed to exploit "planning gain" to provide incentives to private developers in tackling squalor and dereliction in the environment and improving housing choice?

5 How (where possible) can we best get co-operation from the local authority without diluting our objectives?

6 What is needed to provide a climate in which local, small business start-ups are encouraged in inner cities (though not to the exclusion of big business)?

7 How can the culture of "dependence on the state" be addressed and removed?

The exercise should be carried out speedily, with an action plan ready for review in September.

Conclusion

The current papers for Cabinet office are dangerously close to "more of the same". We need to give attention to the missing ingredients.

HB

HARTLEY BOOTH

NRB

NORMAN BLACKWELL

(The Prime Minister thought this dull. DCW 6/7)

CCBH

CONFIDENTIAL

P 02761

From: J B UNWIN
3 July 1987

Prime Minister

The statement attached is largely drawn heavily on a note prepared by No 10 and DoE for use after the Queen's Speech. Agree that it should be tabled at E(UP)? DCW 3/7

MR NORGROVE - No 10

URBAN POLICY

Sir Robert Armstrong has circulated a note (E(UP)(87)2) for the first meeting of E(UP) next Tuesday, and I will let the Prime Minister have a short brief on this separately.

2. As discussed briefly on the telephone with you, however, I thought that it would be helpful also to let Ministers have a brief statement of the Government's present approach which would provide an agreed basis for use in the House, briefing the press, speeches and so on.

3. I accordingly attach a piece prepared by Mr Sorensen at my request. This picks out the main policy objectives, relates them to specific policies or programmes (education, housing etc), and, as background, summarises the activities of the main Departments involved.

4. You may wish to show this to the Prime Minister. Subject to her views, I think it would be very useful if this were on the table at next Tuesday's E(UP) meeting. It would then, if agreed, provide a standard "line" until policy has been taken further forward as a result of the new work now recommended.

5. The note could either be circulated by you from No 10, or I will arrange circulation to the Sub-Committee by the Cabinet Office in the usual way.

J B UNWIN

STATEMENT OF GOVERNMENT URBAN POLICY

The aim of the Government's urban policy is to ensure that people and businesses in the inner cities are given more opportunity to benefit from Britain's prosperity. The policy will be directed at deprived areas in the conurbations, manufacturing towns and rundown council estates where action will be taken to

- restore enterprise and encourage new job opportunities

- give people more choice and influence over decisions affecting their lives

- encourage private sector investment
- target Government spending on those in need of help and where it can do most good

- make urban local government more accountable and more efficient

The Prime Minister chairs a group of Ministers to bring together the Government's attack on urban problems.

Attacking Urban Problems

The Government will

- reform the rating system to stimulate small businesses and encourage the expansion of larger ones, and to make local authorities more accountable

- improve the motivation and skills of local people by providing good quality training and work experience and helping more people to set up in business on their own

- give tenants more choice by extending the private sector, breaking up municipal estates and setting up Housing Action Trusts to take over public housing

- improve the quality of schools, extending parental choice and providing a right for schools to opt out of local education authority control

- increase police manpower and resources and support for local crime prevention to make the inner cities safer places in which to live and work and more attractive to investors

- increase the number of Urban Development Corporations and use Urban Development Grant, Urban Regeneration Grant and other instruments to tackle severe dereliction and encourage private investment

- reduce controls so that enterprise and development are encouraged

The Government's urban policies and programmes set the framework and provide opportunities for urban regeneration. They aim to provide a sound economic base, an improved environment, housing choice and good schools. But effective results depend on the commitment of local people and businesses.

The attack on urban problems involves many Government Departments:

The Department of the Environment's programmes tackle dereliction, improve the environment, and provide for better housing and more housing choice

The Department of Employment provides training and employment measures which specifically meet the needs of inner city residents, and encourages the growth of small firms, self-employment and tourism

The Department of Trade and Industry's regional and selective assistance measures encourage industry to settle and expand in the areas of need. At the local level, the Department is responsible for 16 inner city task forces which encourage enterprise and employment and help to pull together Government action in their areas.

All three Departments work together in City Action Teams which have been established in Birmingham, Liverpool, Manchester/Salford, Newcastle/Gateshead and Hackney/Islington/Lambeth in London. Apart from ensuring that expenditure under major programmes is effectively targetted, the CATs have individual budgets to support significant projects which contribute to economic recovery in their areas.

The Home Office and other Government Departments are working together to encourage voluntary action and tackle crime, drug abuse and vandalism.

The Department of Education and Science is working with interested individuals and organisations to establish a network of 20 City Technology Colleges in urban areas. They will provide broadly-based secondary education with a strong technological element, offering a wider choice of secondary education. And promoting choice is at the root of the fundamental proposals to provide for schools to opt out of local education authority control and develop their own strengths.

PRIME MINISTER

INNER CITIES: WORK PROGRAMME

The Cabinet Office paper is anodyne, but should provide a starting point for discussion.

However the terms of reference proposed for Sorenson's study seem insufficiently pointed. He has at my invitation prepared the terms of reference below.

> "To consider the effectiveness with which departmental programmes deliver the Government's urban policy; to propose changes as necessary both at central and local level, including for improved joint working between Departments and for target areas for such joint working; to make proposals for improving the presentation of the Government's urban policy; and, consulting Government Departments as necessary, to prepare an interim report before the end of July, with a final report in September."

I know Sir Robert Armstrong is concerned about the risk of friction between Departments in this area, and this is a valid concern. But if your inner cities initiative is to have any chance of an impact it must not be based on the highest common denominator amongst Departments.

If you agree, I could tell Sir Robert Armstrong that you are looking for firmer terms of reference and put to him the version above.

Content? - No - may we have a word - merely improving material things is not enough. MT

DKN

DAVID NORGROVE
3 July 1987

005/2986

COMMERCIAL IN CONFIDENCE

cc SG

Treasury Chambers, Parliament Street, SW1P 3AG

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

NRBPM.

2nd July 1987

Dear Nick,

CANARY WHARF

I have seen a copy of your letter of 26 June to Paul Channon reporting progress on the Canary Wharf negotiations.

I agree with the action taken so far and there is clearly nothing more to be done until LDDC hear from First Boston. However, if the consortium is not ready by 7 July I think we will have to consider the position very carefully. We must be very nearly at the stage where further delay in the development of Canary Wharf by First Boston would be as damaging to confidence in the docklands regeneration as an announcement that negotiations had broken down and LDDC were seeking alternative proposals.

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

Yours Ever,
John

JOHN MAJOR

REGIONAL POLICY

INNER CITIES

PTO

file KG
LOGAJU

MR. SHERBOURNE

cc: Professor Griffiths

Thank you for your recent minute about Hector Laing's suggestion that the Prime Minister should see Stephen O'Brien on inner cities. You reported Lord Young's view that O'Brien would not tell the Prime Minister anything she does not know already; and you asked whether we could find a way for the Prime Minister not to see him.

Hector Laing has been on to Brian Griffiths, who has copies of this correspondence. I suggest, and I think Brian agrees, that he should take the initiative and see Stephen O'Brien, so a report of his views, if necessary, can be passed to the Prime Minister.

Could I suggest that Brian should be in touch with Stephen O'Brien to arrange a meeting, letting him know that his approach to him reflects Hector Laing's suggestion.

N. L. WICKS

1 July 1987

MR. WICKS

Hector Laing suggested that the Prime Minister saw Stephen O'Brien on inner cities. Lord Young's view is that O'Brien will not tell the Prime Minister anything she does not know already.

Can we find a way for the Prime Minister not to see him?

PS.

STEPHEN SHERBOURNE

PS I gave the original letter from Hector Laing back to the Duty Clerk.

file DTI

1. **MR NORGROVE**
2. **MR BEARPARK**

cc Mr Blackwell
Mr Booth

PHOENIX AND INNER CITIES

I attach a note by Norman Blackwell and Hartley Booth about the Phoenix initiative and its potential role in the Inner Cities Programme.

It occurs to me that, if the Prime Minister goes to Manchester and Salford during her Inner Cities visits, a call on the local Phoenix initiative, as an example of co-operation between local community developers and the Government, might be worthwhile. Could I leave you to follow this up please in your planning of these Inner City visits?

I suggest too that we remember the initiative, and particularly its Chief Executive, Chris Ledger, if we are arranging any seminars/dinners on this topic.

N L WICKS
1 July 1987

MR WICKS 30 June 1987

PHOENIX AND INNER CITIES

Professor Griffiths mentioned to you our interest in Phoenix and its potential role in the Inner Cities Programme.

The background to this is that we believe the major task that still needs doing is not the detailed co-ordination of existing programmes - or the creation of major new programmmes - but rather the direction and focussing of the external "hype" to capture and catalyse the key individuals in each major city who can actually make things happen. If we can get enough bandwagons rolling, they will create their own energy and momentum - stimulating ideas and sucking in investment.

Phoenix - and organisations like it - are a good model for the kind of vehicle needed to make this happen. It is a non-profit making, private sector body with a steering committee comprised of the Chairmen and Chief Executives of major construction and investment companies. Its role is to act as an umbrella organisation that can bring together potential investors, developers, local authorities and government departments in specific areas around a common blueprint. It ultimately works because of the credibility and energy of the Phoenix Chief Executive, Chris Ledger - a secondee from Shell - and because the various parties involved ultimately gain real benefits from working in concert (eg development gains are greater if an individual investment is part of a much larger investment covering a wider area).

Phoenix operates by setting up a local Phoenix board in its target cities, with representatives of local industry, construction companies, financial institutions, the City Council and DoE. It therefore meets an important requirement

of building on local pride and initiative. Such Phoenix initiatives are currently underway in Manchester and Salford, and a new initiative is about to be announced for the Wirral. Phoenix are also talking to business and council representatives in a number of other cities, including Sheffield. Although it has only been going 9 months, the Manchester Phoenix has already identified development plans for 4 major (20/30 acre) sites in the city, and appears to be becoming a focal point for a wide range of other development, employment and cultural initiatives which are now beginning to bubble up as a result of all the publicity.

Phoenix may not be the only organisation that can play this pivotal role between the local community, development opportunities and Government. However, we are convinced that neither central government nor local authorities can make things happen without vehicles such as this.

NRB

HBS.

NORMAN BLACKWELL

HARTLEY BOOTH

THE PHOENIX INITIATIVE

PURPOSE

1. The purpose of the Phoenix Initiative is to promote public and private enterprise in urban renewal and regeneration. This requires a constructive partnership between the public and private sectors both organisational, financial and in the use of public statutory powers. The main, but not only focus of activity is at a local level. The Initiative identifies suitable locations and persuades, brings together and encourages the various sectors involved to take on the task of redevelopment.

WHO SUPPORTS IT

2. The Initiative has a Steering Committee under the Chairmanship of Sir Colin Corness, which is drawn from a broad spectrum of the public and private sectors (see Annex A for the list of members). Phoenix is also supported by the Secretary of State for the Environment and his Ministerial colleagues, and will be a prime source of advice on the practical aspects of the private sector's involvement in urban regeneration.

MAIN ACTIVITIES

3. The prime activity is encouraging the improvement of specific urban areas by the setting up of local organisations, possibly consortia which would tackle a variety of urban renewal objectives in these areas. These consortia will only be set up after a detailed study of the area followed by the development of a suggested solution. The trusts or consortia would comprise the parties who would together carry out the urban renewal task and amongst them would be developers and local authorities. The Initiative itself will be the motivator, facilitator and advisor in the setting up of such local development organisations but would not itself participate in the renewal and development task.

A prime criteria for the Initiative to be involved must be the clearly demonstrated wish of all local sectors for something positive to be done.

4. Because local market conditions and local physical conditions require co-operation from local authorities (for example on physical planning, land assembly, compulsory purchase, and financial assistance, including acting as a channel for existing and possibly new central government grants) there is no point in the Initiative expending time and effort where local authorities and other sectors are hostile.

5. The work of the Phoenix Initiative is not confined to encouraging the setting up of local renewal organisations. In addition and equally important it:-

(a) has a more general promotional role to encourage private sector involvement in urban renewal.

(b) seeks to encourage local authorities and local organisations to take the necessary steps to support such private sector initiative and investment.

(c) provides a range of specialist expertise which can be called upon to help advise solve conflicting interests and generally stimulate local initiative.

(d) provides a prime source of advice to the Department of the Environment on the practical aspects of the private sector's involvement in urban regeneration. Two senior officials from the Department sit on its Steering Committee.

(e) proposes measures to help bring schemes to fruition and encourage the starting of others.

(f) liases and, where necessary, co-operates with other initiatives and organisations. It avoids duplication and seeks to encourage and support initiatives and where necessary is seen as a conduit between them and government.

(g) it will, for the time being, concentrate its efforts in England, although it will liase closely with the SDA and WDA.

ORGANISATION

6. In line with the main purpose and range of its activities the organisation of the Initiative reflects the harnessing of a broad spectrum of goodwill, expertise and drive. It has also been designed to minimise the bureaucracy and maximise the effectiveness of its activities. The Phoenix Initiative consists of a Steering and an Executive Committee.

7. The Steering Committee consists of the Chairmen/Chief Executives of companies who also represent the various organisations supporting the Initiative. Its main function is to guide, support and where necessary, use individual member's influence on behalf of the Initiative.

8. The Chief Executive, Christopher Ledger (on secondment from Shell) has a small staff consisting of an Information Officer and a secondee from the Department of the Environment. For further information contact:-

THE PHOENIX INITIATIVE
82 New Cavendish Street
London W1M 8AD
01-580-5588 Ext. 418/419/420/421

THE PHOENIX INITIATIVE

THE STEERING COMMITTEE

Chairman - Sir Colin Corness	-	(President National Council of Building Material Producers) Chairman Redland PLC
Bryan Baker	-	(Vice President National Council of Building Materials Producers) Group Managing Director Tarmac PLC
John Brown	-	(President British Property Federation) Managing Director Peachey Property Corporation
Patrick Dawnay	-	(Member Urban Investment Review Group) Director Pergamon Holdings
Tim Melville-Ross	-	(Chairman Urban Investment Review Group) Chief Executive Nationwide Building Society
Tony Pelling	-	Under Secretary (Construction Industry) Department of the Environment
Peter Simon	-	Deputy Group Chief Executive & General Manager (Investment) Legal & General PLC
Eric Sorensen	-	Under Secretary (Inner Cities) Department of the Environment
Norman Wakefield	-	(Chairman Working Party of Building Employers Confederation) Chairman and Chief Executive Y J Lovell

Chief Executive

Christopher Ledger	-	Shell UK

Urban regeneration project launched

BY ROBIN PAULEY

THE Phoenix Initiative to stimulate urban regeneration was formally launched with Government moral but not financial support yesterday under the chairmanship of Sir Colin Corness, chairman of Redland and president of the National Council of Building Material producers.

Sir Nigel Broackes, chairman of Trafalgar House, was involved in hte planning of the project and was expected to be its first chairman with Sir Colin as deputy chairman. The fact that neither Sir Nigel nor Trafalgar House now appear among the sponsoring board led to some speculation that he has withdrawn because of the refusal of the Government to inject any financial support.

The group has reverted to its planning title of Phoenix rather than the later idea of calling itself the National Task Force which would have confused it with the Government's inner city task forces among the plethora of organisations now involved directly or indirectly with urban regeneration.

The Phoenix hopes to promote public and private enterprise in urban renewal and to be the focus of private sector advice to ministers on urban regeneration. It also hopes to become the vehicle for the Government's new urban regeneration grants.

FT 31/7/86

Action on city revival

By Christopher Warman
Property Correspondent

An initiative to stimulate the regeneration of Britain's cities by promoting public and private enterprise in urban renewal was launched yesterday with the full support of the Department of the Environment.

This private sector move, called the Phoenix Initiative, will also provide a focus of private sector advice to ministers on urban regeneration.

The announcement of the new venture came on a day when figures revealed that building firms in the South were reporting promising order books while firms in the North were at a low ebb.

The sponsoring board of the Phoenix Initiative, under the chairmanship of Sir Colin Corness, president of the National Council of Building Material Producers, aims to promote activity and enthusiasm at a local level, put together schemes and involve local authorities and developers. It will have a representative from the department and leaders from other fields.

It takes as one of its blueprints for action the report *The Phoenix Partnership — Urban regeneration for the 21st century*, published by the National Council of Building Material Producers, which advocates a partnership between public and private sectors, a nationwide programme of urban development action grants and the setting up of urban development corporations on the lines of the London Docklands Development Corporation where necessary.

TIMES 31/7/86

Urban Phoenix rises from the ashes

Phoenix, the much heralded private sector development body has finally been given life with the creation of a permanent body to promote private/public sector initiatives.

Chris Ledger, a senior executive at Shell UK, has been seconded as chief executive for the Initiative, which is based at St Katherine's Dock in London.

He will head a team that will advise local authorities, developers and the Department of the Environment, as well as draw together and co-operate with private sector initiatives already underway.

The Initiative is a non party body which intends to work with local authorities using their land assembly powers on specific projects, promote initiatives under the new Housing and Planning Bill, and utilise the grant system.

Chairman of the Initiative's sponsoring board is Sir Colin Corness, chairman of Redland plc and president of the National Council of Builing Material Producers, whose vice president Bryan Baker, the group MD of Tarmac plc, is also a board member.

Other board members are John Brown, president of the British Property Federation and MD of Peachey Property Corporation and Norman Wakefield, chairman of the working party of Building Employers Confederation and the Chairman and chief executive of Y.J. Lovell (Holdings) plc.

The creation of the new body has been welcomed by the Building Employers Confederation.

Construction News 8/8/86

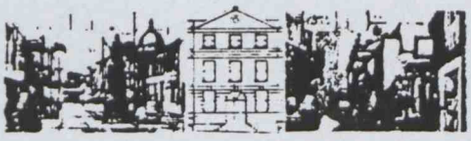
Phoenix takes off

A private sector initiative to stimulate urban regeneration was launched last week.

The announcement came from the National Council of Building Material Producers whose report *The Phoenix Partnership: Urban regeneration for the 21st century*, published last October, is one of the blueprints for action.

The aim is to promote activity and enthusiasm at local level, help put together schemes and encourage initiatives and advise and stimulate local authorities and developers. It is intended to draw together private sector initiatives already underway and advise the Department of the Environment on the practical aspects of the private sector's involvement in urban regeneration.

A catalyst for change



Phoenix, a new organisation which aims to provide the impetus for getting difficult schemes under way has just begun work, as Rhys David reports.

FIVE YEARS after the then Environment Secretary, Mr Michael Heseltine, took a party from the City of London to look at the urban problems of Liverpool, Britain's financial institutions remain the target of criticism for their continued reluctance to become involved in the search for solutions.

For, although big redevelopment schemes are under way in most city centres and on out-of-town sites close to motorway or other important junctions up and down the country, the scale of commercial and industrial, as opposed to retail developments which the institutions have been prepared to back, remains small.

The developments in which the institutions have been prepared to become directly involved have tended to take place, too, in the bigger centres. Many of the trickier problems in inner city suburbs or on more remote locations, such as the south Wales valleys or in the north-east coalfield, are not being tackled.

There has been a reluctance, too, to tackle many of the old industrial sites which have ceased to be required as the traditional manufacturing base of the older regions has changed and shrunk.

Though the institutions can rightly claim they are not primarily in business as risk takers, critics argue that their attitude has been over cautious and that they are missing opportunities to speed up the process of urban renewal.

"They are often more interested in the location of a scheme rather than the rate of return," observes Mr Howard Mallinson, head of the urban renewal consultancy at accountants KMG Thomson McLintock.

Thus, with the institutions tending to stay clear of investment outside London, except where retailing is involved, it has often been only local developers who have sought out Urban Development Grant or Derelict Land Grant for industrial or commercial schemes in non prime areas.

"Institutional investment in property is governed by rental growth which they are prepared to buy at any price. They will only buy, however, where other institutions are buying. There is nothing you can do to encourage financial institutions to put their money in anything other than shops north of Watford," argues another critic, Nigel Ellis, of surveyors Drivers, Jonas, himself a secondee to the Department of the Environment between 1983 and 1984.

Yet while critics argue not enough is being done, those involved in development point in turn to problems they encounter. Perhaps chief among these is alleged local authority bureaucracy, and in particular delays in obtaining planning permission for schemes.

Land assembly is also cited as a major difficulty in many cases, and there are complaints over the length of time taken by the DoE in processing applications for UDG, without which many schemes are not viable.

It is in untying some of these knots that a new body, Phoenix, which has just begun operations believes it will have a role. Sponsored by a range of public and private sector bodies from builders, property companies and building societies to merchant banks, Government departments and local authorities, Phoenix draws its inspiration and some of its basic concepts fom a report published last year by the National Council of Building Material Producers. This looked at ways in which US experience in reviving rundown areas could be used in the UK.

Under its chief executive, Christopher Ledger (a secondee from Shell) Phoenix will be trying to operate at a local level to identify suitable locations for development and to bring together the relevant parties including the institutions to undertake schemes.

"We intend to act as an independent non-axe-grinding group which can respond to requests for assistance. A local authority might, for example, have a scheme which it cannot get off the ground or a developer may be having difficulty putting a project together. We will help to organise public-private sector partnerships and then we will withdraw," explains Christopher Ledger. The group will not seek to operate in areas where its efforts are not welcomed by all parties concerned.

Implicit in Phoenix's approach is that it will seek to encourage initatives which extend over a wider scale than individual projects. It will encourage local authorities and developers to think in terms of a strategic plan for a whole area.

"We will say let us look at the jigsaw as a whole before trying to put in the pieces," explains Mr Ledger.

Phoenix will also act as a lobby suggesting possible new approaches or mechanisms to Government where it believes these are necessary. As it happens, one important new instrument, Urban Regeneration Grant, will become available when the Housing and Planning Bill passes into law and should make the wider area based approach to urban renewal which Phoenix is seeking to promote easier to achieve.

UDG, with DLG the main Government funding instrument currently available has, somewhat disappointingly, been used on only four schemes in excess of 15 acres, and is channelled through local authorities which provide 25 per cent of the funding. The new grant, URG, will be paid directly by Government to developers and will it is hoped encourage more larger scale schemes.

Yet, while Phoenix could be the catalyst which will help to get a number of tricky schemes off the ground, whether with or without UDG and URG support, the task in many areas seems likely to require an even wider geographical approach and bodies which can act as prime movers rather than intermediaries.

The major weakness, according to Miles Collinge, development director of the English Tourist Board is the lack of an effective local development agency which can act with speed.

"Given an effective local development agency rapid progress could be made. We are dealing with the future of our towns and cities and not simply the odd tracts of derelict land," he argues.

Following indications earlier this year that it was considering the idea, the Government is now believed to be close to an announcement of a further batch of development corporations which would seek to repeat the successes achieved by the two existing corporations covering London and Liverpool.

The shape and form which these corporations will take is still to be decided, however, reflecting in part some of the problems which a second generation of such bodies might pose. In the first place, few cities have such concentrated areas of dereliction as London and Liverpool had when their corporations were established, making the problem of the exact areas to be designated much more difficult.

The Government, too, is likely to want to secure as big an involvement as possible both of the local authorities concerned, in order to minimise conflict, and of the private sector so as to cut down the cost to the public purse.

One possibility canvassed by the Chartered Institute of Public Finance and Administration is a contract system whereby an agency could be appointed for a fixed term with a brief to deal with the problems of an area. The agency could be public, private or joint in nature and would operate to guidelines laid down by the relevant public authorities. It would draw on public and private sector resources.

Hybrid development corporations of a sort have in fact already been set up in some locations and perhaps offer examples to other authorities whether or not Government designation of their areas is obtained.

In Salford, for example, the local council, faced with the prospect of unco-ordinated development taking place in Salford Docks commissioned a firm of consultants with experience of working in London docklands to draw up an overall strategy and this is now being worked to by the private sector.

In other parts of the country major contractors have taken the lead in schemes. They will be encouraged to make use of the existing cocktail of grants available, in particular URG.

In another example of private-public sector co-operation, designed to deal with the problems of a major area, Trafford council has joined forces with a number of manufacturers on the Trafford Park estate, including GEC and Ciba Geigy, to draw up an investment strategy for the area designed to attract £550m of private sector money and create 16,000 jobs.

Whether these or any other similar projects will eventually be favoured by the Government as models remains to be seen. What is true, however, is that the importance of partnership between the public and private sectors in urban regeneration now seems to be widely accepted.

If this produces schemes which appear to be soundly based and which offer the prospect of being well managed this could even unlock the institutional funding which has in many cases been the missing element so far.

Manchester Evening News

31st December 1986

Evening Edition - Front Page Main Story

It's a 1987 super city

By Fred Hackworth and Michael Duffy

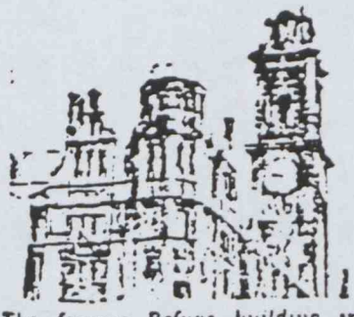
A MASSIVE £100m-plus regeneration project today heralded an exciting New Year for Manchester city centre.

Plans to breathe new life into a huge, run-down area of the city have been aptly titled after the mythical bird which rose from the ashes — the Phoenix.

A powerful alliance of public and private agencies are backing the Phoenix Initiative, which aims to revitalise a mile-long "corridor" from Castlefield to behind Piccadilly Station.

The down-at-heel section of the city that takes in Oxford Road Station the famous Refuge Building Whitworth Street and the Rochdale Canal basin is in line for a huge boost.

Planners stress that it is still early days, but the new shot in the arm seems certain to include shops offices and housing — for which there is already planning permission in a collection of fine old textile warehouses in the district.



The famous Refuge building in Manchester

Cash

Hopes are high that the ambitious regeneration project will work, because private and public money is set to pour into it.

Leading companies, banks and pension funds, who have been working behind the scenes on the scheme, are believed to be on the point of unveiling details next month.

A senior Shell executive on secondment to the Phoenix Initiative, Mr Chris Ledger, is understood to have won ministerial approval to pump taxpayers' cash into the project as part of the Government's urban programme.

If the pioneering plan gets off the ground, it would be remarkable in its nature and scale in post-war Britain.

All agencies involved — from boardroom to council chamber — are pulling together and Manchester's assistant city planning chief, Dr Ted Kitchen, said this afternoon "there is a lot of effort being put in to try to make this work.

"Here we have an area with problems but also lots of potential and the study being undertaken asks what we can do about it.

"We are prepared to learn from everyone and North America where the private sector has been getting together to work with public authorities to launch major recovery programmes in city areas, has things to say to us."

Phoenix rises in Manchester

A one-mile sweep of Manchester's inner city is to get a new lease of life under an urban renewal scheme known as Project Phoenix.

This is the first flight of the Phoenix Initiative – a steering committee including contractors, a building society, and building materials producers – which has been set up to counter urban decay.

A string of neglected warehouses, as well as the imposing Refuge Building in Oxford Street, will benefit from the project which will take in an area from Piccadilly to Deansgate, near the Rochdale canal.

The accent will be on refurbishment, land reclamation, building cleaning and pedestrianisation. But new housing is also proposed, as well as commercial, leisure and community projects.

A Phoenix spokesman told BTJ that a study would be carried out by consultant W J Cairns "to develop an identity for south-east Manchester and to arrive at a development blueprint for the area."

A company called Manchester Phoenix has been set up to manage the project. It is headed by entrepreneur Raymond Gerrard, former chairman of contractor Gerrard. Another key figure is John Lynch, a partner in Manchester architect Fairhurst.

BUILDING TRADES JOURNAL, JANUARY 29, 1987

Phoenix rises in Manchester

THE first stirrings of the Phoenix public private investment partnership were felt this week as a £100 million pound scheme was launched in Manchester.

The City Council has thrown its weight behind the bid ahead of today's visit by construction minister John Patten.

The scheme involves breathing new life into declining city centre buildings with investment in a corridor 1.5 km long with its spine the old Rochdale Canal.

Central to the scheme is the regeneration of the old Refuge Building, but buildings on each side of the canal could be renovated and improved.

The accountancy and management firm Arthur Young will lead the steering group of industry, commerce, union and professional leaders.

Housing, leisure, community and commercial projects are envisaged as the initiative gathers pace.

Council leader Graham Stringer said: "The City council has a long standing commitment to the regeneration of the city centre and we are happy to work with organisations or individuals who share the commitment."

The council has promised to throw resources into providing important planning information for developers and by making environmental improvements in the area.

CONSTRUCTION NEWS

JANUARY 29 1987

Manchester set to land first Phoenix project

Manchester looks like becoming the first city to fund urban regeneration using the Phoenix Initiative.

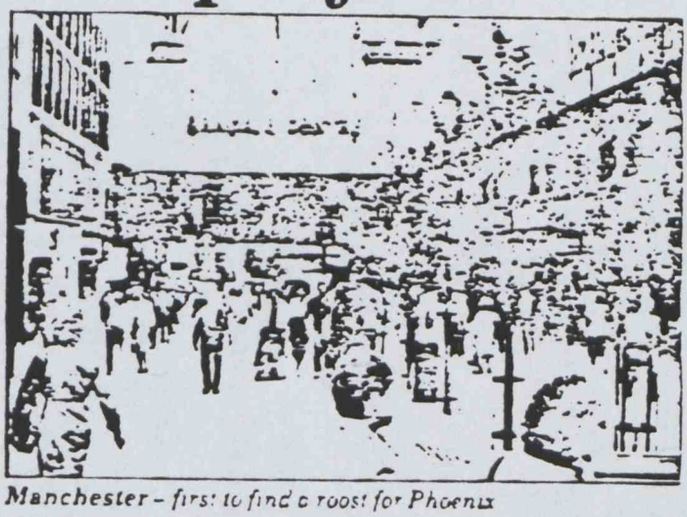
Before the end of the month, the promoters of the Phoenix Initiative hope to announce details of a planned £100M rejuvenation programme for the city centre's rundown Castlefield to Piccadilly Station area.

The Phoenix Initiative, launched last July, aims at curing inner city dereliction by attracting a mix of private and public investment. Phoenix is supported by the Building Materials Producers and the building and civil engineering employers federations, BEC and FCEC.

News that Manchester was to be the first to use the Initiative was leaked in an evening newspaper.

Both Manchester City Council and Phoenix's management consultant Arthur Young retort that the 'leak' was a little premature as details of the scheme have yet to be finalised. However, both sides say there has been a continuing dialogue over the planned regeneration programme.

A spokesman for Manchester City Council added that although the final details have yet to be announced by Phoenix 'no major changes are envisaged' to the council's local strategy plan. The local plan was adopted by the city council in summer 1984.



Manchester – first to find a roost for Phoenix

Management consultant Arthur Young hopes that the professional team, which will put together a detailed study of the area, will start work before the end of January.

The study will take six months to compile and will form the framework for the future planned regeneration of the area. No specific mix of developments are being revealed until the study is complete but it is likely to include housing, offices and shops.

Arthur Young intends to hold a series of workshops during the study phase so that key public and private concerns can develop and agree the exact form of the regeneration.

The City's strategy plan placed a priority on providing housing and, says a spokesman for Arthur Young, 'this will be given due recognition in any plan for the area. We are not trying to usurp the Council because the aims of the City and Phoenix are compatible.'

City bursting out all over

A REBORN Manchester fit for the 21st century, is forecast by building chiefs.

The city is poised for spectacular expansion, according to Mr John Crothers, chairman of the North-West Group of Eight, the region's leading construction industry representatives.

By Ray King

He said at the opening of a building exhibition in the New Century Hall "There is a marvellous opportunity here Not the mad, giddy expansion of the 1960s which only benefited a few people, but a reasoned, environmentally-controlled expansion starting in the Whitworth Street area of the city and spreading throughout the region"

High hopes are based on the work of the Manchester Phoenix Initiative, launched last year in a bold bid to revitalise key areas of the city centre in which the private sector and public sector work closely together

Mr Crothers said the regeneration would come with the minimum of Government help, but would give the people of the North West great satisfaction to say "What we have done we did largely by our own efforts."

The exhibition, Building Information exchange '87, was formally opened by Mr Chris Ledger, chief executive of the National Phoenix Initiative.

He said the £550m to be spent over the next seven years by the Trafford Park Urban Development Corporation, at least £250m by the Manchester Phoenix, and more still by a similar initiative in Salford, would together provide a dynamic power house for regional renaissance.

Mr Ledger urged building suppliers whose wares were on display to make sure that when the millions were spent it was contractors from the North West which became involved.

Manchester Evening News 18/2/87

MANCHESTER PICKED FOR FIRST INNER-CITY REGENERATION PLAN

An American-style initiative has been launched to regenerate a large area involving a partnership between the public and private sector. The Phoenix Partnership launched in 1986 by organisations from construction and other industries, chose Manchester for its first scheme. Its backers on a national basis include the Building Employers Confederation, the National Council of Building Material Producers, the Association of British Insurers and building societies. In Manchester the project is being co-ordinated by Rick Parry of Arthur Young. In addition to commercial projects, Parry said Phoenix's main aim would be to reintroduce housing to the area together with leisure and recreational uses. An architect has yet to be chosen. The area Phoenix has chosen to focus on runs between Deansgate and Piccadilly station. Landowners and current projects are being identified, and Phoenix is finding out why improvement is not taking place of its own accord. The next step, said Parry, will be to ensure that Phoenix becomes a focus for all the community, so there is grass roots support for its proposals. Then there will be a big campaign to launch the initiative. Funding will come from the DoE, the city council and the private sector.

L Mallett *Building Design 20/2*

Manchester site for first Phoenix

The Phoenix Initiative's first project will be located in a run down part of Manchester city centre. The news was announced on 26 January.

A partnership consisting of the City Council, industry, commerce, trade unions and the professions has been formed with the objective of regenerating an area in the centre of the town between Deansgate and Piccadilly Station.

BMP 6 February 1987

Multi-million blueprint for an exciting new look

Capital idea in the super city

By Michael Duffy and Fred Hackworth

AN EXCITING new redevelopment in the heart of Manchester could make the city the leisure capital of Western Europe.

The multi-million-pound renewal along Deansgate and Peter Street could l ch one of the most sp. acular redevelopment success stories since the war.

An exciting new brief for a plum 20-acre site next to the city's G-Mex Centre will be going out to developers any time now.

But the project — which will include the Greater Northern warehouse conversion — is linked to the massive Phoenix redevelopment plan for Manchester involving up to 60 acres of rundown land running into hundreds of millions of pounds.

The Deansgate scheme is the idea of Central Station Properties — the consortium which controls the new G-Mex exhibition centre — but it is seen as a springboard for major city centre renewal under the Phoenix Initiative.

Government ministers are set to press the "go" button on Phoenix and Manchester Council has pledged its wholehearted support for the ambitious regeneration drive covering a huge sward of the city centre.

Developers will soon be invited to pitch for the lucrative Central Station Properties scheme and company secretary Mr Jonathan Diggins said: "We have spent the past six weeks putting together a development brief for the site.

"We could be talking about a range of redevelopment including offices, leisure facilities, retail and residential. We have been approaching various people to hear their ideas about possible projects."

But Phoenix experts — charged with launching a hugely ambitious scheme to renew a mile-long crescent of down-at-heel Manchester — see the Deansgate scheme as the catalyst for the development of other key sites.

These include vacant land at Lower Moseley Street — which has vast leisure potential — and major plots on the city centre fringe at Gaythorn and All Saints.

The chief executive of the national Phoenix Initiative, Mr Chris Ledger, said: "If all these schemes come off the ground — and we are confident they will — then central Manchester will be completely transformed."

But a Phoenix spokesman in Manchester went further, saying: "Looking at the potential for sites in key areas Manchester could become the leisure capital of Western Europe."

Government cash is waiting in the wings too. A senior spokesman for the Environment Department in Manchester said: "We are looking favourably on a number of schemes which we hope will form a major plank in the regeneration of the South East section of the city.

"Housing Minister Mr John Patten is very keen to see results from the Phoenix Initiative and the one in Manchester is a very exciting prospect."

Manchester Evening News 13/3/87

Manchester Phoenix takes off

THE Manchester Phoenix has taken off at last, and even if it isn't soaring high at least its feet are off the ground.

The Phoenix Initiative a private sector project aimed at bringing together both the public and private sectors to regenerate areas of the inner city announced it first success this week, as the big institutions brought out their cheque books.

Money raised will go towards a target of £100,000 which in turn will pay for feasibility studies of plans to transform a vast tract of inner-city Manchester.

The idea is that a four mile corridor along the Rochdale canal will be revitalised as land owners and potential developers are brought together.

Phoenix which is currently operating from the Manchester Building Centre hopes that the success of this type of idea in the United States can be mirrored in England.

Refuge Assurance have already contributed £10,000 and this week brought the news that two other financial institutions had done the same.

However, there remains a long way to go before the £100,000 target and the additional £100,000 worth of Government grants this would bring is reached. But at least the feasibility studies now look feasible.

Rising from the ashes

EVER since the early Seventies the problem of the inner-cities and their slow drift into dereliction has been at the forefront of political debate.

The proposals put forward by the Left and Right have been linked only by their failure to achieve any retardation of the rate of decline. In that respect the present Government is no different from its predecessors.

The perception today, shared by almost all those concerned with the problem, is that the scale of finance required is now so great that no single central body could hope to solve it alone.

This is where the Phoenix Initiative becomes so important. The idea of trying to join the unlimited finances of the private sector with the power of government for a common goal is the only road to a solution.

Manchester has been chosen as the first site of the Phoenix Initiative and already a number of financial institutions had put up the hard cash necessary to fund wide ranging feasibility studies.

If the scheme is successful then Manchester will find itself transformed within quite a short period of time. It would then be possible to apply this blueprint to Birmingham, Liverpool and all the other cities with similar problems.

The potential is staggering and it is to be hoped that the first cheques signed for Phoenix mark a new beginning in the fight to turn back the tide of despair.

Construction Promoter 3rd April 1987

THE TIMES TUESDAY APRIL 21 1987

Face-lifts for inner cities start this year

By Richard Evans
Political Correspondent

A multi-million pound American-style partnership between the Government and the private sector, aimed at tackling dereliction in Britain's inner cities, will begin work after the general election.

After two years of talks between ministers and leading construction firms, three consortia have been formed with the aim of regenerating the nation's most run down areas.

With the help of "pump-priming" grants, the trio are expected to start work this year on building thousands of homes, factories and retail centres in Manchester, Sheffield, Nottingham, Leicester and the West Midlands.

The next phase of the Government's urban policy, mapped out by Mr John Patten, Minister for Housing, Urban Affairs and Construction, is based on the successful United States experiment which brought private companies and the government together to work closely on inner city projects.

British construction firms were initially cautious about becoming involved in developing some of the most run down sites, mainly because of doubts over the financial return. But those reservations appear to have evaporated and the companies are hoping for substantial profits.

Ministers believe their attitude represents a growing indication of confidence in the state of the economy. Wood MacKenzie, the leading construction industry stockbrokers and forcasters, recently suggested a 5 per cent growth rate in the construction industry during the next year.

The three consortia formed to redevelop inner city sites are Phoenix Partnership, led by Sir Colin Corness, chairman of Redland; PROBE, led by Mr Norman Wakefield, chairman of Y J Lovell; and the Group of Eleven, which consists of Britain's biggest construction companies with leading figures including Mr Clifford Chetwood, chairman of Wimpey, and Mr Philip Beck, chairman of Mowlem.

At least two of the consortia are known to have applied for urban regeneration cash which is expected to be granted shortly and work is likely to start by the end of the year.

Mr Patten said yesterday: "The Government is looking increasingly to the private sector to take a lead in the development of inner city areas with the Government providing the framework and pump-priming money.

"This is something I have been working on for the past 18 months, in order to try to bring the construction industry and the Government Urban Policy much closer together".

A recent survey disclosed the only age group not moving out of the inner cities is the 18-24 category and ministers believe this will help bring economic success back to such areas.

Mr Patten added: "Housing-led regeneration of our inner cities is critical, and the young are going to play a vital role in their social and political regeneration.

"At the moment the inner cities are still losing their brightest and their best and we hope this partnership will turn the tide."

Phoenix Initiative to rise in Salford

A NEW Phoenix initiative will be launched in Salford next week, which it is hoped will help create at least £250 million of construction work over the next five years.

Details of the sites have yet to be ironed out by Phoenix — the organisation set up last year with Government and private support — and Labour-led Salford City Council.

But no problems are envisaged, and work should start in September on the first three housing projects.

To organise the development a company has been set up by Phoenix, the Salford City Council and Probe (Partnership Renewal of the Built Environment), the body set up by Lovell and the Halifax and Nationwide building societies.

The company — called the Salford Phoenix Initiative — will not act as a developer itself but as a "facilitator", said Probe's David Hinton. It would organise developers, land, and money.

The idea is that the bulk of the development work should go to local companies, he added.

The formation of the company has been welcomed by the council's assistant chief executive, Peter Henry. "We recognise the need to regenerate the city and this is one situation where a partnership between public and private sectors can bring regeneration," he said.

The organisers say they will be disappointed if Phoenix's work fails to produce under £50 million worth of redevelopment in each of the next five years.

Most of that redevelopment will be housing, although there will be some industrial and commercial work.

Any profits made by the Salford Phoenix Initiative company will be put at the disposal of the council.

The company will be applying for Government grants and a civil servant from the Department of the Environment will sit on the board.

But how much Government money will be applied for — and how much will be granted — has yet to be decided.

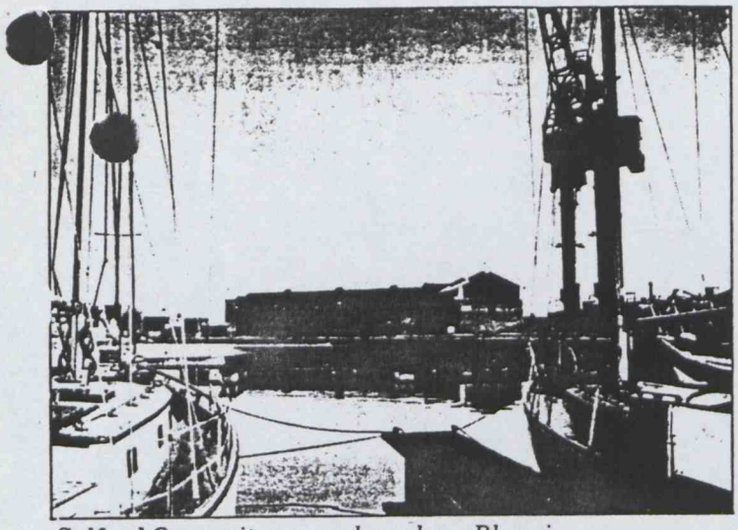
The work of Phoenix seems to be expanding rapidly after the organisation's stuttering start. Talks are underway — albeit in an informal capacity in most cases — in Newcastle, Stoke, Sheffield, the Wirral and Wolverhampton.

Earlier this year the City of Manchester was chosen as the site for the first Phoenix Initiative which is intended to stimulate private and public sector developments in the city to the value of £1 billion.

●At the end of last week, Prime Minister Margaret Thatcher said that a five year plan to regenerate Britain's urban areas would be a central part of the Conservative Party's manifesto for the General Election.

She told the *Manchester Evening News* that she had asked her ministers to produce a package of policies to attack dereliction and improve infrastructure.

CONSTRUCTION NEWS **APRIL 23·1987**



Salford Quays: its success launches a Phoenix

Salford's Phoenix takes off at last

After weeks of hesitation, Salford's Phoenix initiative took off last week to help regenerate the district's run-down areas, building on the success of the city council's Salford Quays project.

The council, Phoenix and third partner, PROBE (Partnership Renewal of the Built Environment) are now working up two initial projects: a housing development at Acme Mill, Swinton, and the refurbishment of medium- and high-rise flats at Kersal to provide student accommodation for Salford University.

The Salford-Phoenix Initiative, which will work with the council in trying to draw private sector interest, has been welcomed by Housing Minister, John Patten and by Peter Hadfield who chairs the neighbouring Trafford Park Development Corporation.

Although the partnership will focus most of its effort on the eastern side of the district, the Irlam steelworks to the west (now under the wing of the UDC) is one of the major sites for redevelopment and Peter Hadfield may join the present eight-man Salford-Phoenix board. This is chaired by financier, Geoffrey Wilson and includes PROBE chairman, David Hinton; Phoenix chief executive, Christopher Ledger; Salford's chief executive, Roger Rees; Nigel Eldred, managing director of Salford University's advisory unit, Business Services Ltd; and DoE regional controller, John Glester. John Morgan of PROBE is the initiative's general manager.

A charitable trust is to be set up to put any surplus funds to community use.

According to Ian Smith of Phoenix (whose similar Manchester partnership was launched in January) the initiative will encourage local construction jobs.

'What we've done in Manchester is to set up a computer system – like a computerised Yellow Pages but more sophisticated.

'This gives contractors all the information they need about local firms without any arm-twisting,' he says.

Phoenix chief executive, Chrisopher Ledger says that the Manchester and Salford initiatives could each generate 'a minimum of £50M pa over the next three or four years and probably more.'

Robert Bond

Surveyor 14 May 1987

Salford to get inner city renewal help

SALFORD is the second city which will benefit from a private urban renewal and regeneration scheme, the Phoenix Initiative, it was announced last week.

The "Salford Initiative" has been formed by Salford council, the Phoenix Initiative and Probe — the Partnership Renewal of the Built Environment.

It will form a charitable foundation whose primary aim is to organise land development and funding. It is hoped to create £250 million of construction work over the next five years. Any surplus funds will be channelled back to the people of Salford.

The first project will be a residental development on the Acme Mill site, Swinton. There are also plans to work with Salford University to refurbish a multi-storey accommodation block at Kersal for student accommodation. This venture will be self-funding.

The initiative will be managed by Probe, an "enabling" partnership between Y J Lovell and the Halifax and Nationwide building societies.

The board will include representatives from the city council, the Phoenix Initiative, the regional office of the DoE and financial institutions.

BUILDING DESIGN, May 15, 1987

Cash crusade of Salford reborn

By Chris Stewart

AN AMBITIOUS plan to put a smile on the face of Salford and cut dole queues by thousands was revealed today.

As much as £50m a year could be invested to turn the dowdy city into a glitzy centre of business and industry.

Said one of the men at the head of the crusade: "We don't intend to hang about. We want to see all this happening by the end of the decade."

The plan has been drawn up by the Phoenix Initiative — the group which welcomed the New Year with a £100m regeneration programme for the rundown Rochdale Canal area of Manchester's city centre.

Phoenix — a private company with a high-powered board of directors — was launched last year with Government support to help the North-West's ailing economy.

Peter Henry: It's going to be big.

Counc Wallsworth: We need every help.

Said Department of Environment official Ian Smith, who has been drafted into the Phoenix Salford: "What we have set up in effect is a private sector Urban Development Corporation, and it will take off.

"Salford City Council approached us initially and although it has done very well with the Salford Quays development much more can be done.

"We can attract the money from private investors and, while they will want a return, our main philosophy is to benefit the people of Salford.

"So far, Salford has been synonymous with grime. But we will restore civic pride, and in 10 years people will look back and say, 'Wasn't that tremendous!' "

The team wants to turn ugly, derelict sites into plush business and retail parks — and replace rundown estates with smart new housing.

Two projects have already been earmarked. The derelict Acme Mill site at Swinton, until a week ago an unofficial gipsy camp, will be used for housing development.

And tatty multi-storey flats at Kersal will provide student accommodation in a scheme drawn up with Salford University.

Mr Smith added: "There will be substantial investment — £50m a year has been quoted.

"The Initiative will go on for as long as it takes and until the need for us has disappeared."

Members of the team are already touring Salford, picking out rundown areas and deciding what to do with them.

Phoenix intends to use a computer to match employers' needs with the available workforce, to make sure local people get the jobs.

Salford council's economic development chief, Peter Henry, said: "A lot has got to be worked out, but this is going to be very big."

And planning chairman Coun Ben Wallsworth said: "We need all the help we can get. We will do all we can to smooth the path of people prepared to invest in the city."

Phoenix aims to rise from urban ashes

THERE WAS full backing this week for a major new plan to bring life back to Wirral's decaying areas.

Wirral Chamber of Commerce gave its support to Wallasey MP Lynda Chalker's call for a Think Tank group to be set up to stimulate interest and bring in outside investment to give the area a facelift.

High on Mrs Chalker's priority list for a shot-in-the-arm are rundown areas of New Brighton and Birkenhead docks.

The idea for a Phoenix Think Tank was first mooted in March, when Mrs Chalker asked Wirral industrialists to help formulate action plans similar to other Phoenix schemes that are proving successful in Manchester and Salford.

Christopher Ledger, the Phoenix chief executive, has been in Wirral to prepare the way ahead.

Mrs Chalker told the Wirral chamber that the Think Tank would gather together all the plans, ideas and possibilities for regenerating the area in good time for discussion with councillors, businessmen, investors and community groups.

Chairman of the chamber Alf Gibbs said: "I welcome this real step forward and the chamber will do all it can to help in the regeneration plans for Wirral, and especially for New Brighton."

The first stages of research by the Think Tank will be backed by Government cash.

The national Phoenix Initiative is supported by all political parties, banks, building and insurance industries and building societies.

It seeks to create a business complementing efforts by Government, local groups and private organisations to meet public needs by providing financial and technical resources.

Mrs Chalker heralded the Think Tank idea as "the best combination of potential for the regeneration of our area."

She praised Dave Carter, chairman of New Brighton Traders' Group, for his involvement in the scheme, and said she hoped other people would come forward with suggestions and help.

"As soon as the Think Tank work is proceeding, Phoenix will set up a Wirral Phoenix Board with its own office and staff," said Mrs Chalker. "I welcome the positive response, especially from the chamber."

THE NEWS, 13 May, 1987

Phoenix group aims to breathe life into Wirral's 'decayed' areas

by Carmel Townsend

WIRRAL's Chamber of Commerce has given full backing to a major new initiative to bring back life to decaying areas in the borough, such as New Brighton.

Wirral Phoenix Partnership aims to stimulate widespread interest and bring in outside investment for the redevelopment of older areas in the peninsula.

Wallasey's MP, Mrs. Lynda Chalker, who is strongly involved with the initiative, said this week that regeneration of New Brighton was a top priority, closely followed by Wirral's docklands.

Phoenix chief executive, Christopher Ledger has been in the area to prepare the way ahead.

He has met banking and housing personnel and representatives of Wallasey Civic Society, the CVS and traders from New Brighton at a special meeting called by Wirral Chamber of Commerce.

The chamber has given full support to Mrs. Chalker's proposals for a Phoenix "think tank" to be set up to study ideas for revitalisation.

Mrs. Chalker said the results would be thrown open for wider discussion with local groups, councillors, business investors and the community.

WIRRAL GLOBE 8/5/87

Brighton plan

THE redevlopment of the New Brighton sea front seems the most likely aim of the Pheonix Initiative which is soon to be set up on the Wirral.

Pheonix are believed to have interested a number of development companies in pumping cash into the seafront area and an announcement is expected shortly.

CONSTRUCTION PROMOTER NW EDITION 5/6/87

New Phoenix for the Wirral

A third Phoenix initiative should soon be announced for the Wirral area of Cheshire, bringing hope of up to £150 million worth of construction work over the next five years.

Discussions have been proceeding smoothly between Phoenix chief executive Chris Ledger, local MP Lynda Chalker, councillors, business investors and representatives of the local community. Although nothing has yet been signed, all parties involved are confident that an initiative can be launched to breathe life back into the Wirral's decaying areas.

Regeneration of New Brighton is seen as a top priority by Phoenix. Outline planning permission already exists for a £65 million scheme assembled two years ago by Transworld Leisure, the company that went into liquidation earlier this year owing A Monk over £1 million. The proposals included a 15ha seafront theme park, hotels, and shopping complexes.

Wirral's docklands are also seen as offering scope for potential developers.

Alf Gibbs, chairman of the local chamber of commerce, which has given its full backing to the Wirral Phoenix, says discussions will continue in earnest when political calm resumes after the election. He is confident that three or four projects can be launched simultaneously.

This further evidence that the Phoenix initiative is gathering momentum comes as the two existing Phoenixes battle between themselves to break ground on the first project. At Salford, where the second Phoenix was officially launched in April, a residential development at the Acme Mill, Swinton and a multi-storey refurbishment at Salford University, are near to tender stage. And at Manchester, the original Phoenix, four schemes are well advanced, with Wimpey leading the way as one of the interested developer-contractors.

Both Phoenixes, and in due course Wirral, will be applying for urban regeneration grants from the Government.

With the North-West becoming firmly established as a strongly self-generating area for Phoenix, Ledger is keen to extend the approach to other depressed areas he has been visiting including Newcastle, Stoke, Sheffield and Wolverhampton.

Established in August 1986, Phoenix acts as a catalyst in bringing together local authorities and developers.

The Phoenix Initiative

CONTRACT JOURNAL 11/6/87

New partnership will boost job prospects

THE Building Employers Federation has pledged support for the Pnoenix Initiative — the urban regeneration scheme for New Brighton and Wirral's rundown dockland.

The Federation is the latest in the growing list of business groups eager to help the Phoenix project get under way.

Lynda Chalker, who set up the initial talks with Phoenix, said: "The positive response from industry and the local community has been tremendous.

"Support for the partnership between the private and public sectors, in urban renewal, has proved in Wallasey to be alive and well — and will, no doubt, increase job prospects in the town.

"It is the sort of partnership where everyone — business, local authority and local people — gains."

LIVERPOOL ECHO

28/5/87

MEAD WORMAN

Bid failure and arrests hit firm

West Sussex builder Mead Worman suffered a double blow last week when police arrested three men following investigations and London builder Lelliots abandoned a rescue bid for the ailing group.

Last Tuesday's arrests follow a police investigation mounted some months ago following complaints from subcontractors. A police spokesman said last week that those arrested had been released without charge but enquiries will continue under the direction of the Crown Prosecution Service. The names of those arrested have not been released.

Mead Worman is rumoured to be under increasing pressure from its [illegible] banks and recently [illegible] major creditors asking them to extend the company's credit.

Subsequently, Lelliot entered into discussions with a view to possible takeover. Company chief accountant Bob Brown says its withdrawal had nothing to do with the arrests.

'We just did not consider the group's problems were ones we could take on,' he says.

Lelliott is still interested in acquiring 'suitable' companies, but despite expressing admiration for the Worman side of the group, it will not be returning to the negotiations.

Mead Worman hit the headlines in February over subcontractors allegations of non-payment of bills and excessive countercharging. One firm, Wickham Plasterers, claimed it was still owed £14,000 on a Portsmouth housing contract completed last October.

Another, Morgan Waterman, threatened to take out a writ against the firm for £2,800 which it claimed was owed for a painting contract at Marchwood Gate in Chichester.

At the time, Mead Worman denied the allegations and in a written statement said that very few of its subcontractors were involved in counter charges: 'Over the past 12 months, out of approximately 322 subcontractors who have completed work for the group – 311 had their accounts paid in full without deduction.'

A call last week to Tony Evans, managing director of Mead Worman, was met with a 'no comment' response.

The Mead Worman group, which operates in the Southampton area, also trades under the names of John Worman, Mead Developments and Worman Electrical/Plant/Lyncrete.

A former subsidiary, Mead Construction, underwent several changes of name and ownership last year.

It finally went into liquidation as Harborough Construction, under the sole directorship of 'strip-a-gram' girl Jacqueline King.

From 'old bangers graveyard' to £75 million shopping and leisure complex

PRIORY PARK

Bovis starts £75m job

Bovis Construction is about to start work on the £75 million 'Priory Park' shopping and leisure development, planned for a 10ha site at Colliers Wood, in the London Borough of Merton.

The £40 million contract awarded to Bovis by SavaCentre, developer of the whole scheme, will provide six main elements on what is described as an ancient and historic part of the borough: a hypermarket, leisure complex, prestige headquarters office building, housing, extensive riverside landscaping with picnic areas, and a museum.

The hypermarket will be operated by SavaCentre, the joint Sainsbury and British Home Stores company, which has a number of hypermarkets throughout the country.

The SavaCentre will be clad in metal and glass to blend in with the surrounding buildings. A covered walkway and an extensive glazed front to a restaurant will face the River Wandle and the High Street. The headquarters will be a modern, low-rise building, again clad in glass and metal, with extensive landscaping, and car parking will be completely hidden beneath the offices. The houses and flats will be on a triangular site.

In the south-west corner of the site, a group of buildings which were originally part of the Liberty silk printing works will form part of the new leisure centre comprising multi-purpose hall, squash courts and swimming pool. The pool will have a glass and timber facade overlooking the River Wandle and its parkland. The historic buildings will contain a restaurant, cafe, museum, recreational and other leisure facilities. Car parking for the leisure centre will be at surface level.

When completed in 1988, the development will provide up to 2,000 new jobs. The architect is Chapman Taylor and Partners.

A VIABLE APPROACH TO URBAN RENEWAL

Support for tax-exempt bonds (TEBs) as the Economics article in *Contract Journal* June 11 points out, stems from lessons to be learnt from America.

The 'Phoenix Partnership, published by BMP in October 1985, analysed its success in regenerating some of its most run-down older cities such as Baltimore and [illegible]sburgh.

[illegible]eport pinpointed public-private partnerships financed through tax-exempt bonds and a more flexible system of urban development grants as the most important ingredients in its success.

You argue that TEBs, 'like many other fads from across the pond' are 'unlikely to take root over here'. This overlooks the fact that the main thrust of government policy here, namely Urban Development Corporations, is directly modelled on Baltimore. Since the Phoenix Report, HMG has produced the revamped Urban Regeneration Grants, launched a new series of Urban Development Corporations and given support to the Phoenix Initiative, which has already spawned new public-private partnerships in Manchester and Salford.

These initiatives are giant strides in the right direction. But they will not (without tax-exempt bonds) create the same impact as the widespread regeneration in the USA. These bonds provide a huge pool – a one trillion dollar tax-exempt bond market – which is still growing at a rate of $100-150 billion per annum in spite of the significant moves by the US towards a low-rate minimum exemption tax code.

Your correspondent argues that a similar system in Britain would be an expensive way for the Treasury to pay for infrastructure-related investment. Not so. Even if all the finance came from the highest tax payers the Exchequer subsidy would be only £60 million per £1 billion capital raised. Clearly this system is much cheaper to the Treasury than financing, say, a building improvement through the Urban Programme at £12,000 per job or even a training scheme at £6,000 per job. The equivalent cost (based on Jackman's Employment Institute Study) would be £1,400 per job for a building improvement programme financed by way of tax-exempt bonds.

It is obviously cheaper when you think about it. The tax-exempt bonds are subscribed to by private investors and institutions in the knowledge that they can get the tax exemptions on the interest and can sell their holdings in the huge secondary market at any time. They are prepared, therefore, to invest in bonds with maturities of as much as 40 years – the time it will take to rebuild our inner cities.

The cost is much less to the US Treasury than if it financed the programme directly through the British system of urban grants. Your correspondent seems to prefer the UK system which, he says, is financed through progressive income tax. Hasn't he heard of the increasing proportion of revenue raised (with more to come) through VAT and poll taxes? By the way, does he also oppose the Business Expansion Scheme which benefits the higher tax rate saver and, incidentally, represents a much larger subsidy by making the whole investment, rather than just the interest, a tax write-off?

But your correspondent above all fails to appreciate that through tax-exempt bonds, the US government gets the banks to do their job of urban renewal for them. Redland's corporate treasurer Gareth Jones was persuaded by the simplicity and flexibility of the TEBs. For instead of going round several government departments, as would happen in the UK, and suffering the consequent bureaucratic delays, he found that finance was available from a one-stop private bank which not only provided long-term finance with a low interest rate, but also advised on the best possible package to suit his particular need.

Your correspondent says that the advocates of these bonds in Britain seem to have conflicting objectives and at the same time suggests that in the US 60% of proceeds were used to finance 'private purpose' rather than public infrastructure. It is true that 60% of these bonds are known as industrial revenue bonds (IRBs), ie they are paid off directly by the proceeds of a particular project. The other 40% are general obligation bonds, backed by the taxing powers of individual states.

Some states have used IRBs to finance turnpikes, airports and high technology as well as public infrastructure. To argue, as does your correspondent, that they have resulted in a wave of subsidised McDonalds is to belittle the very important role IRBs have played in transforming high unemployment states such as Massachussets into hi-tech success stories.

Of course there are some American examples of schemes that might have been financed without IRBs. We can learn from their mistakes. Almost certainly any British equivalent would be subject to an upper cash limit in borrowing powers. We would also want to delineate the objectives more clearly. The bonds should be available for both public and public-private partnership developments which will contribute to urban regeneration but which otherwise would not get the necessary finance.

The British Treasury would no doubt oppose these bonds on the grounds that tax exemption is the thin edge of the wedge on its ability to decide what money goes where. Mrs Thatcher should oppose this 'Treasury mentality' which overlooks the enormous advantage of getting the private sector rather than the public purse to pay for the regeneration of our inner cities.

Harry Cowie is director of the BMP's Policy Forecasting Unit and author of The Phoenix Partnership.

A THREAT TO THE FUTURE

Sir; Ten years ago there were 6,000 applications a year from school leavers for 2,000 places on civil engineering degree courses. Last year there were only 3,000 applications for the same number of places. In 1985 applications sank by 17%, and in 1986 by 20%.

Despite Lighthill's pointing out the need for building graduates, the Ad Hoc Committee's attempts to attract more 6th formers to building by means of special careers conferences, and the CIOB/UMIST Committee's aims to show 6th form students, through a national competition, that building offers a professional career, places on university and polytechnic degree courses remain unfilled because not enough good candidates come forward. Go to a careers evening at an independent school and it looks as if the construction stand has the 'Black Death'.

For those who do enter the industry with high hopes of glittering prizes, what then happens when the building and civil engineering students come to the end of their hard-fought degree?

This year more than 50% of those graduating from one of the better-known civil engineering universities will not enter the construction industry. This, you will say, has been happening now for several years. But what has made me stop, think and put pen to paper is when I am told by a polytechnic student that 50% of his graduating class are actually looking for jobs outside the industry.

Last year *Building* ran an article on graduate-level salaries – the front page cover stated £9,000 for a graduate joining a High Street store and £5,000 for a building graduate.

In the most recent issue of the *Institute of Personnel Management* monthly magazine, a chart of average salaries of 1987 graduates shows the construction industry bottom of the list.

Disillusionment with the industry is rife, as I discovered during a recent visit to a university. Final-year students spoke of poor salaries, poor opportunities, and the length of time it takes to reach ICE Chartered Status.

With reference to the latter point, graduate engineers are without doubt increasingly perturbed by the two-part Chilver Scheme. While the ICE may recommend a four-year minimum period to PE2, the actuality of costs to employers extends that period by several years. There is discussion at this time as to whether BE2 should stay – the longer that discussion takes, the more civil engineers will turn their backs on the industry.

As for quantity surveyors, why can the industry not get its fair share of good graduates? In the first place students are directed by schools and literature to apply to private practices. Then when graduation comes, some academic institutions, with the erroneous idea that only private practices are capable of providing the necessary experience to satisfy the requirements of the Test of Professional Competence, direct their graduates towards such employment.

These are the warning signs which we must heed. The decline has coincided with the period of time when the industry has been subject to very low margins. The excellent graduate is looking towards a professional career which reimburses him or her for the effort shown and the potential available. To compete, the industry must be able to afford such people. Surely it is only by absorbing these brains and intellect into the industry that we will be in a position to improve the whole status and profitabilty of construction.

K J Hayzelden
Manager, Group Training Services
Robert M Douglas Holdings plc
395 George Road
Birmingham

INDUSTRY WELCOMES INNER CITY PLEDGE

Margaret Thatcher's pledge to make the regeneration of the inner cities a priority for her third term in office has been greeted with mixed reactions. *Russell Steadman* reports.

One of the most significant early moves of the new administration was the Prime Minister's decision to transfer responsibility for urban renewal to the Department of Trade and Industry.

Action to rebuild the inner cities is to be led by Lord Young, the new Secretary of State for Trade and Industry. Details of how the Department of Environment or Department of Employment will be involved in the campaign have not yet been announced.

The Tories' third successive win was described by Lovell group chairman Norman Wakefield as an "excellent result. It is very good news for the construction industry. If one of the other parties had won, the industry would have been in severe danger of overheating."

Wakefield warned, however, that the government would have to make a tremendous effort to reduce the North-South divide. He predicted that more money would be available for partnership schemes.

"The Conservatives are much more confident about putting money into partnership schemes now than they were a few years ago," he said.

A spokesman for the House-Builders Federation welcomed the election result. "We see a lot to encourage us in the inner city policies."

The Building Employers' Confederation welcomed the Conservatives' win but said it would be making urgent representations to the new government to seek action on inner city regeneration. The employers also called for improved housing provision and contract compliance law.

Chris Ledger, chief executive of Phoenix, the private sector enabling agency, was concerned that partnership schemes with Labour local authorities could be jeopardised by "party politics". "It would be most unfortunate if there were any words or actions by the government that disuaded local authorities from taking up partnership schemes."

There is concern among opposition MPs representing inner city constituencies about the impact of the government's urban policies. Sheffield city council leader and newly elected MP for Sheffield Brightside, David Blunkett, is concerned that local efforts to regenerate the area will be overridden by the government. "Will the government be prepared to be sensitive and responsive to areas such as ours and help us with our own solution or will it only be interested in imposing a single solution across the whole country?"

RIBA president-elect Rod Hackney also wants a more co-ordinated government approach to urban renewal and calls for a minister for the inner cities to be appointed.

Hackney is concerned that the government may become involved in confrontation with local authorities.

The Association of Metropolitan Authorities rejects the government's argument that regeneration in the inner cities has been hampered by local councils.

A spokesman for the AMA said: "Local authorities have been seeking to reinvest and redevelop the inner cities but since 1979 they have lost £15bn from the Housing Investment Programme, had the rate support grant slashed and been prevented from spending £8bn of their capital receipts."

Government aid grants are "peanuts" compared with these amounts, he said.

● Ministerial changes: page 8
● Regenerating cities: page 11

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29 June 1987

For - I copy to N Lawson and

Mr Bernard Ingham
Press Secretary
Prime Minister's Office
10 Downing Street
London SW1A 2AA

DN to see

pa

Dear Bernard

The COI Regional Directors were in London last week and I took the opportunity to discuss with them their involvement in various inner city schemes. The number of agencies involved is, as you know, large and our Regional Directors are concerned that, given the increased interest in the subject, the range and variety of activities and sponsors should be presented as a strength and not become a weakness.

In each of our regional offices individual information officers are allocated to serve particular departments. While COI provides the infrastructure, the officers work to the instruction and policy guidance of their departments. In most cases the closest link is with the regional office of the parent department. This ensures that officers have a good on-the-spot knowledge but it may make it more difficult to ensure their actions fit within an overall strategy.

It is important, therefore, that we have good sound links between London and our local staff.

I do not know what plans there may be for co-ordinating information efforts on inner city activities but I am sure that our regional staff must be involved and am ready to discuss how we do this if you agree. I am copying this to Brian Mower, Romola Christopherson, Adrian Moorey, David McDonald, Barry Sutlieff, Liz Drummond and Geoff Roberts.

Yours ever

Mike

Mike Devereau

EL3BZM

PRIME MINISTER 2

INNER CITIES

Sir Jeffrey Sterling came to see me today, with the knowledge of Lord Young, to make some general points about inner city policy:

1. The crucial starting point was to choose three or four key cities, concentrate attention and effort on them so that the Government would have something to show quite early on as a result of its effort. It would be a mistake to try to advance on a broad front; such an approach would simply dilute effort and results.

2. The first task in each area was to decide the nature of the development it was to see; factories in some cases, residential in others, commercial and so on. Once that decision had been made, a critical path could then be devised. It was important to avoid the approach of clearing sites and waiting for something to happen.

3. Results would be disappointing if matters were left to normal departmental processes. Time and effort would be lost in consultation, especially if DOE, in his experience a rather bureaucratic department, were involved. Some form of task force was needed with powers and money to decide what each area needed and then to marshal the resources, both public and private, to that end.

4. In every case, it would be important to tap local civic pride. The local people had to be brought on to the Government's side if development was to be successful.

N.L.W.

N.L. WICKS
26 June 1987

COMMERCIAL IN CONFIDENCE

CCBG

SECRETARY OF STATE FOR THE ENVIRONMENT

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LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon Paul Channon MP
Department of Transport
2 Marsham Street
LONDON
SW1

26 June 1987

Prime Minister 2
DRS
26/6.

Dear Paul

CANARY WHARF: PROGRESS REPORT at top

In my report to the Prime Minister of 12 May about the Canary Wharf development I said that we were very close to a decision. We have since then, with colleagues' agreement, carried matters forward with the Chief Secretary. I am writing to bring other colleagues up to date.

On the three main elements of the deal - the Master Building Agreement, the letter of credit (under which the Consortium, now clearly controlled by First Boston, are committed to construct the Phase 1 infrastructure) and the railway agreement - all remaining significant points have been resolved over the last month. These agreements are virtually ready for signature. But the 28 May deadline we set at the beginning of May - and a further extension to 22 June - have passed without negotiations being successfully concluded.

The deal is being held up by the other side. First Boston have taken much longer than anticipated to reach agreement with the two major banks - Morgan Stanley and Credit Suisse First Boston - who are to be the first bodies to take space in the development. We agreed that without their commitment we should not sign up for the deal nor would First Boston wish to do so.

Extension of the deadline to 22 June took us beyond the Election period - and with your Department's and LRT's help First Boston were able to negotiate an extension of the contract for the construction of the city extension of the railway, on the understanding that they were to foot the bill.

My Department meanwhile has warned First Boston that the Government would expect LDDC to leave themselves free to negotiate with others after that date. When it became apparent that they would not be able to meet this 22 June deadline either, the Consortium agreed to meet the costs of a further extension to 7 July of the contract for the railway agreement. On this basis, I

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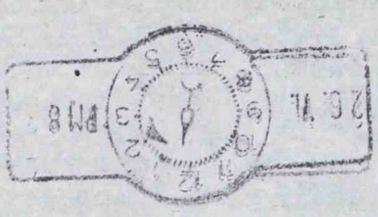
agreed that LDDC should also be authorised to continue negotiating until 7 July on a basis to be agreed in negotiations between Christopher Benson (Chairman, LDDC) and First Boston.

Christopher Benson has now written to First Boston to tell them that the option agreement has formally lapsed but that they have a further period of exclusive negotiations until 7 July. LDDC will, however, use this time to prepare the material necessary to issue invitations to alternative developers so that, if the Consortium were still unable to proceed by 7 July, they would be in a position to go to the market immediately.

I will come back to colleagues when it is clear whether or not the Consortium will be able to meet this timescale. I am copying this to colleagues in E(A) and Sir Robert Armstrong.

NICHOLAS RIDLEY



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Prime Minister

Agree to invite the Policy Unit to suggest this to Lord Young? DRS 26/6.

PRIME MINISTER 26 June 1987

ENTERPRISE "ROAD SHOW"

Norman Blackwell and I are preparing a much wider paper on Inner City policy. There is, however, one interesting proposal that seems to have caught the imagination of a number of people that we feel it right to put to you in advance.

I think it is too gimmicky and superficial. Bring all means publicity for Lord Young. not

The Proposal

But we have made many additions available with last week

The hardest ingredient for all young businessmen to find in starting a business is their first risk capital. The banks, despite our encouragement, have largely failed to answer the need and so we have devised a scheme to provide money at no cost to treasury or banks. There are many hundreds, if not thousands, of successful businessmen very willing to invest in start up ventures with relatively small sums. I have been put in contact with a number. The proposal is a method of putting the investors and young businessmen together.

The Method

An agency, preferably a private company, but it could be a small administrative group, should hire a series of halls or unused cinemas for a few days at a time in each of a few target Inner Cities. The young business applicant for funds come up in front of the assembled investors and make a 5-10 minute presentation. Afterwards the applicants will appear at small stalls to talk to the investors who are interested in their ideas.

Likely success

I am told that a version of this has been tried and found most successful in the USA. We feel that it represents one essential component in our policy to stimulate the regeneration of business in depressed areas. I have already

the promise of help by two senior businessmen.

It represents just one illustration of how individual initiative can bubble up without cost to the state.

HARTLEY BOOTH

CONFIDENTIAL

file KB
c Prof Griffiths

PRIME MINISTER

INNER CITIES

You will wish to see Sir Robert Armstrong's minute below and also the Policy Unit minute.

Sir Robert Armstrong's minute invites you to agree the composition of the Committee and the terms of reference. Content?

Robert has also circulated a draft minute to be discussed at the first meeting of the new Committee setting out a programme of work. This makes much play with talk of cohesion and effectiveness and co-ordination. It fills me with gloom in its implication that the new Committee will head down the same barren road as its predecessor, MISC 104.

Nigel and I have chewed this over and we suggest the following.

Lord Young should be invited to prepare a report on the inner cities for discussion by the Committee in September. The work would be done by an official who, to avoid inter-Departmental tensions, would be located within the Cabinet Office, not within the DTI. The report would be treated in the manner of a Rayner scrutiny, as a personal piece of work by the official concerned, though he would probably need a couple of people to help him. An ideal candidate would be Eric Sorenson, who is an Under Secretary in charge of the Inner Cities Unit in DOE. (He wrote "It took a Riot" in 1981.)

The new Committee ought to meet so that you could tell colleagues that this is what you intend should happen. They would hold a preliminary discussion on the basis of an annotated agenda to help the person prepare the report. It would be made clear to colleagues that the report was not to

be an inter-Departmental report but it would be prepared with full co-operation from all the Departments concerned.

If you find this idea attractive, I could talk to Robert Armstrong about it tomorrow morning and you might mention it to Lord Young tomorrow afternoon.

Content that I should do so?

DAVID NORGROVE

25 June 1987

PRIME MINISTER

INNER CITIES

There is, I am afraid, a degree of tension building up about the role to be played by the Department of Trade and Industry on Inner Cities.

DTI, no doubt with Lord Young's approval, have prepared some lobby briefing for use after The Queen's speech. This lists the programmes of the Department of the Environment and the Department of Employment which affect the Inner Cities (including, for example, Urban Regeneration Grants, Housing Action Trusts, Urban Development Corporations and so on) and also mention education policies. It continues:

> "The Secretary of State for Trade and Industry and the Chancellor of the Duchy of Lancaster have a special remit from the Prime Minister to see that Government programmes work effectively, draw in investment from the private sector, and are accurately targeted."

I have had a call about this, reporting concern that the DTI, in assessing the effectiveness of the Department's programmes, will in practice be taking a supervisory role which properly belongs to the Secretary of State in that Department.

There is something in this, and I see scope for conflict. However, DTI have little or no resources and virtually no formal powers to carry out their remit on Inner Cities. If they are given a purely co-ordinating role, they will be brushed aside. So Lord Young and Mr Clarke, and their officials, probably will have to step on a few toes. I suspect also that any problems are likely to arise more amongst officials than amongst Ministers: Lord Young and Mr Baker have a good working relationship, and Mr Ridley is likely to take a sane view about the protection of his patch.

If you agree, I should like to tell people who call me about this that Trade and Industry Ministers must have a role in assessing the effectiveness of policies so far as they bear on Inner Cities. If there are any particular problems, they will need to be resolved as they arise.

You may also wish to mention this to Sir Robert Armstrong tomorrow, to ask whether he sees particular problems. He might also want to talk to Permanent Secretaries in the Departments concerned about how the respective roles will be carried out.

S. Morris
D. Clark

pp. D R NORGROVE
18 June 1987

DS2ABU

PRIME MINISTER

VISIT TO DOCKLANDS: CANARY WHARF

This is just to remind you that Mr. Ridley is still in negotiations with First Boston about Canary Wharf. The latest deadline is 28 May, though this may be extended. The negotiations are very difficult and it is possible that the whole deal may fall through.

I doubt whether you will be asked about the project tomorrow. But if you are I suggest you say:

> Discussions on the project are still continuing with the Department of the Environment and I am not going to get involved in them.

N.L.W.

NLW

20 May 1987

DN CCB/6

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213 6460.....
Switchboard 01-213 3000 GTN Code 213
Facsimile 01-213 5465 Telex 915564

David Norgrove Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

NBPM

20 May 1987

Dear David,

TAKE UP OF CENTRAL GOVERNMENT PROGRAMMES IN INNER CITIES

My Secretary of State wrote to the Prime Minister in February about take up of Government initiatives in inner cities and there has been correspondence between Private Secretaries about this since. — at flap part 9.

You may be interested to know that ILEA has recently indicated its intention to put forward proposals for its participation in 1988 in the Technical and Vocational Education Initiative (TVEI).

I am copying this letter to Tony Kuczys(Treasury), Andrew Lansley (Chancellor of the Duchy of Lancaster's Office), Robin Young (Environment), William Fittall (Home Office), Rob Smith (DES), Jon Shortridge (Welsh Office) and Robert Gordon (Scottish Office).

Yours sincerely,

Beverley Evans

BEVERLEY EVANS
PRIVATE SECRETARY

CCB/G

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switsfwrdd)
01-270 0538 (Llinell Union)
Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switchboard)
01-270 0538 (Direct Line)
From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

15 May 1987

CONFIDENTIAL

Dear Nick

NRSM

CANARY WHARF

Thank you for copying to me your minute of 12 May to the Prime Minister.

I agree with your conclusion that the deal on the development at Canary Wharf should only be approved if the conditions you referred to are met in full. I am also content that, in the present circumstances, you should take decisions in consultation with John MacGregor and John Moore.

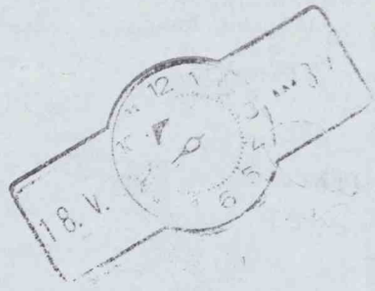
I am copying this to the Prime Minister, other Members of E(A) and to Sir Robert Armstrong.

Yours Cv

Nick

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

REG POL - Inner Cities Pt 10



jvp/I(0)

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

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

15 May 1987

Dear Brian,

CANARY WHARF

The Paymaster General has seen your Secretary of State's minute of 12 May to the Prime Minister, and has also seen the Secretary of State for Transport's letter of 13 May. He was content that your Secretary of State, the Chief Secretary and the Secretary of State for Transport could take a decision either to proceed or to incur further delay, but he agreed with your Secretary of State that a hard and fast deadline should not be set that might result in the collapse of the negotiations at a sensitive time. I am sure he would wish to associate himself with the contents of your Secretary of State's 14 May letter to the Secretary of State for Transport.

I am copying this letter to David Norgrove, Private Secretaries to members of E(A) and to Trevor Woolley.

Yours,

Jeanie

JEANIE CRUICKSHANK
Private Secretary

cc PS/SoS
PS/Mr Tapper
Mr Makeham
Mr Baker - with thanks. In view of the timescale required, I decided to send a P.S. letter JC 15/5

Ge. office - pl send by hand to DoE and Transport
JC

Reg Pol: Inner Cities Pt 10

1282/049

CONFIDENTIAL

CCBG

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON SW1

14TH May 1987

NRBM

Dear Nicholas,

CANARY WHARF

FCEWITH

I have seen copies of your minute to the Prime Minister of 12 May and attachments and also of John Moore's letters of 6 and 13 May.

Having considered your assessment and that of your professional advisers, I am prepared to accept that you should authorise LDDC to conclude a deal with the Travelstead consortium for the development of Canary Wharf provided there is a satisfactory contractual commitment from Credit Suisse First Boston and Morgan Stanley to build and occupy a minimum of 1.5 million square feet of offices at Canary Wharf and that First Boston offer 100% guarantee for the infrastructure. The railway agreement will, of course, also have to be satisfactory. In giving my agreement, I am conscious that these terms are considerably less than we had hoped for and that there is some risk that the project will not be successful. However I also agree that the alternatives are likely to be less attractive.

I am also prepared to accept that LDDC should sell this land to the consortium at the option agreement price of £400,000 per acre, recognising that any attempt to renegotiate the price now would certainly delay negotiations and could well lead to a worsening of the other terms already agreed, if not cause the consortium to walk away from the deal.

CONFIDENTIAL

I am assuming that John Moore is content that a satisfactory railway agreement can still be reached by 28 May. The consortium need to be warned that we will need time - before 28 May - to assess any agreement reached. If agreement is delayed beyond that date because Fist Boston have not agreed the 100% guarantee or if the 1.5 million square feet is not contractually committed we must insist, as John Moore points out, that the Consortium bears the cost penalties and accepts the consequential DLR construction delays. I support his proposal to force this issue with the consortium by writing to them immediately. If this leads to a breakdown of negotiations we will need to consider carefully any public statement we make. I would be most reluctant to agree to any statement which could be taken to imply an additional commitment to public expenditure.

I am happy with your suggestion that you, John Moore and I should consult as necessary on any further developments during the next three or four weeks if colleagues agree.

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

Yours ever,

JOHN MacGREGOR

RECRUITMENT POLICY

LINKAGES

PT 10

CONFIDENTIAL

ccBG

CABINET OFFICE,
WHITEHALL, LONDON SW1A 2AS

Chancellor of the Duchy of Lancaster

Tel No: 270 0020
270 0296

14th May 1987

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

NRBM.

D Nicholas,

CANARY WHARF

Thank you for sending me a copy of your minute to the Prime Minister of 12 May.

I share your evident concern that we should strive to avoid a breakdown in the negotiations during the election campaign. I agree that you should, therefore, be in a position to agree to a deal, consulting with John Moore and John MacGregor.

In handling the negotiations, I recognise the importance of maintaining a firm date of 28 May; but if, as you expect, it is not possible to conclude negotiations by that date, I accept both that the negotiations should be extended and that it would be unacceptable for the costs of further delay to rest with us. While the Consortium must therefore take responsibility for the further costs and consequences of delay, we should take the greatest care to ensure that the prospect of this is not so serious that this, of itself, might cause the Consortium to back out.

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

NORMAN TEBBIT

REGIONAL POLICY

INVARIANTS

OTTO

CCBG

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

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

14 May 1987

Dear John

NRBPM

CANARY WHARF

Thank you for your letter of 13 May.

I am glad that you agree with my proposals.

I would like to add one cautionary note, however, to your proposal to authorise LRT to write immediately to the Consortium setting out the consequences of a delay beyond 28 May.

First Boston are aware of the consequences of failing to meet the 28 May deadline. But we should not be so forceful with the warning from LRT as to precipitate a crisis - or, for that matter, to give them a pretext for walking away from the deal should that be what they are looking for.

I should therefore be grateful if our officials could be in touch about the handling of any letter that you authorise to avoid undesirable consequences for our side; and about the remaining items that need to be settled if the deadline is to be met.

Copies of this letter go as before to the Prime Minister, the Chief Secretary, other members of E(A) and to Sir Robert Armstrong.

Yours ever
Nicholas

NICHOLAS RIDLEY

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REGIONAL POLICY

INNER CITIES

P570

SRW file

bc BG

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

14 May 1987

Dear Brian,

CANARY WHARF

The Prime Minister has seen your Secretary of State's minute of 12 May which set out the latest position on Canary Wharf.

The Prime Minister would be content for your Secretary of State to take any decisions that may be needed around 28 May, in consultation with the Secretary of State for Transport and the Chief Secretary as necessary.

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

Yours,
David.

(DAVID NORGROVE)

Brian Leonard, Esq.,
Department of the Environment.

DTS

PRIME MINISTER 2

CANARY WHARF

Mr. Ridley continues to negotiate. The latest deadline is 28 May. But it now seems possible that the deal may not be concluded by then. Mr. Ridley would intend in that event to tell First Boston that expenses incurred by delay beyond 28 May would fall to the consortium.

Mr. Ridley further says that decisions may need to be taken on or just before 28 May, either to proceed or to allow a further delay. He asks that if need be he should be allowed to take decisions, in consultation with John Moore and John MacGregor.

Content? Yes

(DOE tell me that the scheme has changed a great deal since the early days. It is now much smaller, without the massive tower blocks, and G. Ware Travelstead has disappeared into the background, to be replaced by First Boston. Nevertheless there is quite a widespread view in DOE that the Government would be better off if the present scheme does collapse.)

DLN

(D.R. NORGROVE)

13 May 1987

DCABYJ

CONFIDENTIAL

CCBG.

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

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

13 MAY 1987

NBM.

Dear Nicholas.

CANARY WHARF

Thank you for sending me a copy of your minute to the Prime Minister of 12 May and the attached note.

I agree broadly with your proposals.

As regards handling, I do not believe that setting an alternative deadline now for a date safely after the Election is an acceptable option. It would put us in an intolerably weak position with the Consortium and, as you say, leave us open to legal challenge. Furthermore it is contradictory to seek to set a new date of, say, 15 June, while maintaining that any delay beyond 28 May might entail renegotiation of the railway tenders and of the railway financing agreement. These could not possibly be achieved by 15 June or anything like it.

If we do have to carry on beyond 28 May we must go ahead on the basis that the Consortium accept and pay for the consequences (paragraph 12(ii) of your Note) but I cannot reasonably establish with LRT what the precise consequences of such a delay might be: precisely because of the uncertainties involved with the probable need for retendering and renegotiation. So the Consortium will have to accept the open-ended consequences of any delay beyond 28 May.

Unless colleagues disagree with the line you are proposing, I propose on Thursday 14 May to authorise LRT to write immediately to the Consortium setting out the clear consequences of a delay beyond 28 May and making it absolutely plain that it is the Consortium who will have to carry these consequences.

CONFIDENTIAL

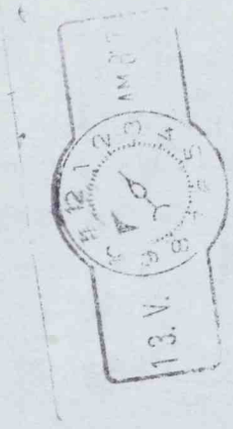
I am copying this letter to the Prime Minister, the Chief Secretary, other members of E(A) and to Sir Robert Armstrong.

JOHN MOORE

REGIONAL POLICY

INNER CITIES

PT 10



CONFIDENTIAL

Prime Minister

We are very close to a decision on Canary Wharf. Provided that we are satisfied on two key points, (set out more fully in the attached paper), I commend the deal to colleagues. These points are:-

(i) that there are firm contractual commitments by Credit Suisse First Boston and Morgan Stanley to building the first two buildings on Canary Wharf, totalling 1.5m sq ft;

(ii) that the full 100% guarantee for the infrastructure to support about 5m sq ft of offices, and costing some £200m, is provided by First Boston.

I am afraid that First Boston have still not got their act together, and we do not yet have firm proposals from them. It is clear however that they are negotiating hard about the buildings with their partners, and are working towards a deadline of 28 May. In my view we must be satisfied on both points, before we can accept that the deal is satisfactory. The latest indications are that First Boston may not provide final documentation in time for a deal to be safely concluded on 28 May, in which case we propose to take the line at this stage that costs and other consequences lie with them.

It is very desirable to bring the negotiations to an early conclusion in any case; but I wish to avoid setting a hard and fast deadline, possibly resulting in collapse of the negotiations, in the middle of the Election campaign. John Moore has explained in his letter of 6 May, that financial penalties, perhaps considerable ones, and delay to the timescale for constructing the railway would follow if that date were missed. But that seems to me less important than having a "debacle" on this matter during the Election, when Ministers would not be available to cope.

CONFIDENTIAL

If colleagues agree with my recommendations that the deal should be approved only on the conditions mentioned above, decisions may need to be made on or just before 28 May, either to proceed or to incur further delay. I hope colleagues would agree that, if need be, I should take decisions, in consultation with John Moore and John MacGregor as necessary.

I think it unlikely that the deal would collapse under such a policy, but if it did I would make a positive statement, including a reference to active consideration of other means of improving rail access from the City, with other developments at Canary Wharf being one of the possible sources of contribution to the cost.

I am copying this to E(A) and Sir Robert Armstrong.

N R

12 May 1987

CANARY WHARF

Introduction

1. Colleagues have been kept informed of progress by correspondence since we last discussed this at E(A) on 25 March - most recently in my letter of 1 May to the Secretary of State for Transport, and his response of 6 May. Good progress towards agreement is being made, though we cannot yet be certain of the outcome. The Secretary of State for Transport has explained in his most recent letter the importance of meeting the deadline of 28 May which we have set the Consortium. Because of the election campaign, we must decide this week:

(i) whether, in principle, we can approve the deal as it is emerging;

(ii) how to handle the very difficult timing problems imposed on us by the need for a decision by May 28. The latest indications are that First Boston will not provide final documentation in time for a deal to be safely concluded before some time into June.

2. The shape of the deal depends:

(a) on an agreed Master Building Agreement (MBA). This is now in a form in which it can be agreed;

(b) on a satisfactory rail agreement. I understand that the Secretary of State for Transport is content for the agreement as it stands to be signed, but that the Consortium have yet to agree to one or perhaps two remaining points of principle.

(c) on 100% guarantee by First Boston for the completion of the infrastructure costing some £200m to support about 5m sq ft of offices. We are still waiting for First Boston's final proposals. But, given that the Consortium have moved from joint and several guarantees from 3 major banks to just one, I believe that unless we are offered 100% guarantees by First Boston, we should not go ahead with the deal.

(d) on 2 buildings, totalling 1.5m sq ft gross being contractually committed to be built and occupied by Credit Suisse First Boston (CSFB) and Morgan Stanley. This is still under negotiation between First Boston and their partners. In my view, it is the minimum that we should consider.

Annex A sets out details of advice received from outside experts on aspects of the deal. I draw colleagues' attention particularly to the possibility, mentioned in the Annex, of criticism on the land price.

The decision now to be made

3. The best we can hope for at the time for decision will be contractual commitments to First Boston to 1.5m sq ft gross with some further assurance about occupation which First Boston are seeking to ensure by penalties. We may have some comfort about a third building, but no firm commitment. With this degree of commitment; 100% guarantee from First Boston for the completion of the infrastructure; and their heavy commitment to the cost of the rail extension, the decision turns on an assessment of how far these commitments constitute a "critical mass" making it probable that major further development will follow.

4. The actual choice before us is between this proposition and the probability of a substantially smaller and delayed scheme. Risk and judgement are inescapably involved, and I think we have to place considerable weight on the judgement of Christopher Benson as Chairman of LDDC, as signatory to the deal. He is also Chief Executive of MEPC, perhaps our leading property company. Mr Benson's considered opinion, drawing also on external professional advice, is that, with guaranteed infrastructure, the planned road and rail links, and the two buildings contractually committed, the pace of development required by the economic appraisal, and embodied in the MBA, "may reasonably be expected to be achieved", short of a major decline in the national economy.

5. Rothschilds, who have been advising my Department throughout, say in their letter (Annex B) that, provided the building and occupation commitments by the two banks are satisfactory, in the light of Mr Benson's advice, they see "no reason why Government should not authorise execution of the MBA".

Risks

6. I have considered the economic and financial risks involved in going ahead; more detail is at Annex C. It demonstrates that, apart from commitment to the City rail extension, the Government is not required to commit heavy expenditure up-front. There are, however, the consequences, which we should consider, of a major change in the economic climate after signature which shuts off the market for the scheme.

7. In this situation Government could enforce the completion of the Phase 1 infrastructure but, by definition, no developer would then take on a development on the original scale. It would therefore be in the interests of both parties to renegotiate the deal to give the maximum practicable quantity of development; and the right of enforcement would give LDDC a powerful negotiating position. It is impossible at this stage to say what would emerge from these negotiations - that would depend on circumstances; but it is prima facie likely that the result would be at least as good as any present alternative to the Consortium's proposals; and that it would be achieved sooner.

8. Politically also I believe that our position would be robust. One strong plus-point would be the contribution by the Consortium of £54m cash for the railway. The railway and the roads would be seen as major public utilities. My conclusion, in the light of Mr Benson's advice, is that we should be justified in authorising LDDC to go ahead if we can be satisfied on the outstanding points.

Further Handling

9. There are substantial general grounds for wishing the negotiations to be concluded soon: if they are not, the credibility of the deal falters; alternatives are lost; and the effect on Docklands will be damaging. The Secretary of State for Transport has pointed to the particular significance of 28 May as a deadline.

10. There are two difficulties about our insisting on that date:-

(i) One is the election. I accept the Secretary of State for Transport's view that the commercial considerations would enable us to justify announcing a decision on the deal in the course of an election, notwithstanding the convention that controversial decisions are to be avoided in an election period. But the difficulty of timing and handling remains.

(ii) The other is the remaining major uncertainty. The substantial changes which have been brought forward from the other side make it clear that we can take nothing for granted. As noted above, we have not yet had it definitely confirmed that CSFB and Morgan Stanley will build and occupy, on terms satisfactory to us, the 2 buildings. Nor - though I expect this to be confirmed shortly - have we the assurance of 100% guarantee from First Boston. We must still be satisfied in detail about the effects of the building contracts, and proper time is needed for our advisers to consider that, as soon as the documents are ready. Given that documents are not at present available, there is a very significant chance that we shall not be in a position to commit ourselves to signature by 28 May.

Handling Options

11. The only clear alternative to sticking to May 28 as a target for signature is to set a date safely after the election, say June 15. However, if we sought to set a date <u>now</u> beyond 28 May, we would be taking on ourselves the onus for the further delay. As the Secretary of State for Transport has pointed out this would entail increased costs and a revised timetable for the construction of the railway. Our inability to complete the railway to the timetable required by the Consortium would put us at a serious disadvantage in further negotiation and leave us open to legal challenge and it would undermine the basis of the agreements. For that reason, to announce a later date immediately is an unattractive option.

12. If that is ruled out, there remain the following possibilities:-

(i) that the Consortium walk away. In that case I agree with the Secretary of State for Transport that we should need to say that active consideration is being given to options for improvement to the railway at the City end. However, colleagues should be clear that there is no certainty of a financial contribution being available from development gains at Canary Wharf in the new circumstances and that no commitment is possible. But, particularly in view of the legal considerations, I would propose to make a statement which said that other developments at Canary Wharf would be one of the possible sources to be considered. It is worth recalling that DOE programmes, including expected land receipts, are already planned to contribute over £350m worth of transport links for East London apart from local roads required for LDDC purposes.

(ii) that, shortly before 28 May, we are faced with a request from the Consortium for an extension of time to enable a deal to be completed. We should aim to accommodate a very short extension. However if it were for a significant period, we should aim go ahead on the basis that the Consortium accepted and paid for the consequences. It is therefore important for the Secretary of State for Transport to establish with London Regional Transport (LRT) what the costs of any delay will be;

(iii) that we are offered a deal which falls significantly short of what we are now stipulating. The prospect of breakdown might need to be faced; but I should seek to avoid that happening in the election period. If it did happen, I propose a statement on the above lines.

13. I propose, in any case, to extend the option agreement to 28 May. In the circumstances outlined above, I invite colleagues to authorise me, in consultation with the Secretary of State for Transport and the Chief Secretary, to make decisions in the light of the conditions prevailing.

<u>Conclusion</u>

14. I invite colleagues to agree that:

(i) I should authorise LDDC to conclude a deal provided that I can be satisfied with the contractual commitment of CSFB and Morgan Stanley to two buildings at Canary Wharf of 1.5m sq ft; and that First Boston offer 100% guarantees for the infrastructure;

(ii) that I should maintain the firm date of 28 May for concluding the negotiations;

(iii) that I should be authorised to extend or conclude negotiations on the best terms available, in consultation with the Secretary of State for Transport and Chief Secretary, if that becomes necessary during the election campaign;

(iv) that if breakdown becomes inevitable as positive as possible a statement should be made, including a reference to improved rail connections on lines suggested in paragraph 12(i).

Department of the Environment

12 May 1987

ANNEX A

Economic Appraisal

(i) DOE and Treasury have accepted the conclusion of the economic appraisal undertaken by Peat Marwick for LDDC that the Canary Wharf project justifies the additional public expenditure involved if it reaches 4.6m sq ft gross office space by 1992. The alternatives identified for the purpose of this comparison were 3m sq ft which might be achieved without a Bank rail extension, and 4m sq ft with an extension.

Master Building Agreement

(ii) DOE and Treasury (advised by City solicitors, Allen & Overy) and LDDC (advised by Ashurst Morris Crisp) are satisfied that the structure linking the Master Building Agreement with a completion guarantee is a satisfactory assurance that LDDC can, if necessary, enforce the construction of infrastructure works now estimated to cost approximately £200m.

Substance of Guarantors

(iii) Rothschilds, for DOE, and Peat Marwick for LDDC, have satisfied themselves that, if First Boston are willing to accept 100% of the guarantee, their standing is such that we should be justified in accepting them for the amount proposed (letter from Rothschilds at Annex B).

Land Price

(iv) The land price agreed under the Option Agreement is £400,000 per acre. But with an added contribution from the Consortium for infrastructure costs (of general benefit to the area) the price actually quoted in the MBA will be about £1m per acre.

This disposal is at less than "market value"; and in such cases DOE's and Treasury's consent is specifically required. To that end, LDDC appointed Hillier Parker May and Rowden to give their independent professional view on the terms of the agreement overall as well as the land price. They were "strongly of the opinion that the existing terms, coupled with the beneficial effects of the scheme on the whole of the docklands area, are sufficiently attractive". Those benefits and the Consortium's contribution to the City extension (net of the relevant public sector costs) produce an effective net land price of £1.67m against the current average of £1.15m per acre in the area.

I have consented to the land disposal price. - and Treasury officials, who have been kept closely in touch, are taking the Chief Secretary's mind on this issue. But with isolated examples of land changing hands at higher prices (at £2m per acre or more) there will be presentational difficulties should the

actual price for the land be quoted out of its wider context.

Hillier Parker made some critical comments about "possible weakness" in the Option Agreement - about the availability of arrangements to press a case for a higher land price or "profit participation". But I am content with the outcome; more pressure for either - a higher land price or profit participation - was regularly considered but put aside in the interests of maintaining the overall deal.

Rail Agreement

(v) On the rail agreement, I understand that on almost all points, a position has been reached which would enable the Secretary of State for Transport to commend a deal to colleagues; and that on the remaining issues, the Secretary of State for Transport, consulting the Chief Secretary as necessary, is in a position to reach a settlement.

11 May 1987

ANNEX B

N M Rothschild & Sons Limited

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New Court
St Swithin's Lane
London EC4P 4DU
(Registered Office)
Telephone 01-280 5000
Fax 01-929 1643
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our reference

your reference

6th May, 1987

Paul McQuail, Esq.
Room 25/16
Department of the Environment
Millbank Tower
21-24 Millbank
LONDON
SW1P 4QU

Commercial - In Confidence

Dear Paul,

Canary Wharf

1. We are discussing with you draft papers reviewing the economics of Canary Wharf and reviewing the credit standing of First Boston Inc. ("FB"). Our present conclusions are summarised below.

2. The documentation we have been given changes frequently. Assumptions, particularly regarding construction costs and timing, are necessarily subject to uncertainty. We note that oral representations made in the past by the development consortium have not proved reliable and we recommend that the Government rely only on formal documentation it receives. We believe that to close this transaction it may be necessary for Government to accept that the documentation is changing rapidly, that decisions have to be made rapidly and that there will be a risk of mistakes being made in Government's understanding of the documentation. To minimise that risk, Government should seek to ensure that at least a week is available for the review of the final documentation.

3. Government will need to take a commercial view whether the prospects of successful development at Canary Wharf plus the collateral benefits from having the development proceed (e.g. construction of the DLR Western Extension) justify the Government investment of some £100 million. The scenario discussed as recently as February 1987 involved guarantees from 3 banks as well as Consortium assurances of substantial taking of space. Now the hope that the transaction would have such a minimal risk has receded - and the commercial judgement becomes more critical.

52/5

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4. FB's own economic analysis compares the prospective cost of Canary Wharf with rents in the City of London. On this basis, Canary Wharf is attractive. A significant issue in the commercial appraisal is, accordingly, whether Canary Wharf will genuinely be seen as a viable alternative to a City of London location or whether instead it will compete principally with the West End or outer London office locations.

5. The present documentation involves unqualified commitments by Credit Suisse First Boston ("CSFB") and Morgan Stanley ("MS") to build 1.5 million gross sq. ft. at Canary Wharf, and strong commitments by them to occupy; these will help to promote Canary Wharf. It is important therefore that the final documentation reflects this position.

6. On present documentation the commitments by CSFB and MS to occupy buildings at Canary Wharf are subject to achievement of "Critical Mass", viz: the letting of two further buildings to first-class tenants for front office purposes aggregating at least 1 million sq. ft. net (subject to legal drafting). In the event that Critical Mass as defined is not achieved within 18 months of the signing of the MBA, and CSFB and Morgan Stanley exercise their options not to occupy buildings, the possible development of Canary Wharf for front office space would probably collapse. In his own paper Christopher Benson suggests this risk is low.

7. We understand that Peat Marwick's economic appraisal concludes that, at 4.6 million gross sq. ft. of development by 1992, the project reaches "economic break even" from a Government perspective. This conclusion depends critically on comparisons in the Peats work regarding alternative scenarios to the First Boston proposal. In the light of recent experience these may not be entirely realistic. At 4.6 million gross sq.ft. the project is probably highly profitable to the developers: accordingly, there may be significantly different interests of Government and developer concerning the speed and scale of development.

8. If the final documents indicate that the obligation for the first two buildings to be built is not watertight, it may be appropriate to consider making a claim for some right of the Government to share in penalty payments which would be due from CSFB and MS to FB in respect of non-building.

9. FB is a leading US investment bank and of high credit standing. It is an appropriately strong company to give the sort of guarantees which the Government requires for the infrastructure at Canary Wharf. The nominal commitments by FB at £300 million are, however, high and amount to about one third of its capital. LDDC, as beneficiary of the FB letter of credit, is effectively subordinated to the general creditors of the investment banking business of FB. A call on the letter of credit is only conceivable in extreme circumstances, which may include a significant down-turn in international financial markets. If such a down-turn had a substantial adverse effect on the business of FB, a call on the letter of credit could affect its reputation and business, and perhaps its solvency. FB is likely to allege that any call on the letter of credit is improper: in those circumstances, we note that the Government could come under political pressure from the US to avoid risking the solvency of a major US investment bank.

10. We conclude that the FB letter of credit is for use only in extreme circumstances: it may not be a practicable means of constructing infrastructure if FB itself is in financial difficulties. The letter of credit is distinctly less useful and less attractive than the previously offered joint and several letter of credit from FB, MS and CSFB. It is, however, likely to be effective in ensuring that FB completes its obligations.

11. It is important to ensure that the building and occupation commitments finally accepted by CSFB and MS give Government adequate assurance of development at Canary Wharf. Subject to this, we see no reason why Government should not authorise execution of the MBA. We note that the decision whether to do so requires an assessment of the risks in the present project and the returns from possible alternatives; in making this decision, Government will need to rely on the advice of Christopher Benson or other property advisers. In any event, any alternative is likely to involve significant delay and, in the short term, damage to the prospects of rapid successful development elsewhere in Dockland.

Yours sincerely,

Roger Salmon

ANNEX C

Financial Appraisal of Commitments

1. With signature of the MBA, Government and the Consortium will be committed to proceed with the City Extension. This will cost Government £76m (cash) and the Consortium £54m (cash). The Consortium will also make an immediate payment of £8.3m to LDDC for the land purchase.

2. In the commitment of resources to the development which then follow, the cost to LDDC (net of the land disposal receipts) for additional roads and specific infrastructure required for the project (but excluding the City Extension) is about £28m. This expenditure is, however, spread over about 8 years. The profile of commitment varies but it begins with a surplus in LDDC's favour. For example, at the end of 1988/89 LDDC would show a small net surplus of £0.5m. At the end of the following year (1989/90) the expenditure would have reached £15m; and would reach £57.7 by the end of 1992/93. But this latter sum is reduced to the net cost of £28m (mentioned above) by the end of 1995/96 because the development of the road programme for Canary Wharf reduces the expenditure which arises in the later years (see attached table).

3. It is not possible to estimate the Consortium commitments alongside these. But it is certain that they will be of a significantly greater scale if the development proceeds according to schedule. If it does not, LDDC's commitment can be scaled down accordingly.

(ATTACHMENT TO ANNEX C)

CANARY WHARF - GOVERNMENT CONTRIBUTION

(£m 1985/86 prices (except railway) - figures rounded)

	87/88	88/89	89/90	90/91	91/92	92/93	93/94	94/95	TOTAL
COSTS TO LDDC									
ELECTRICITY +		2.0	2.9	4.6	2.7				12.2
DRAINAGE		1.0	2.0	2.0					5.0
ADMINISTRATION	0.2	0.2	0.2	0.2					0.8
ROADS *		4.4	10.4	13.2	10.0	10.0	0.1	(29.8)	18.3
Less anticipated RECEIPTS **	(8.3)								
COSTS TO DTp									
CITY EXTENSION x	6.0	26.0	22.0	19.0	3.0				76.0
TOTAL COST TO GOVERNMENT	(2.1)	33.6	37.5	39.0	15.7	10.0	0.1	(29.8)	104.00

NOTES:

* Represents the difference between the road network need with Canary Wharf:- 6.0 22.0 40.0 37.6 31.4 29.5 17.3 94/95 to 95/96 --- 183.8

and that required by the fallback development:- 6.0 17.6 29.6 24.4 21.4 19.5 17.2 29.8 165.5

Difference:- - 4.4 10.4 13.2 10.0 10.0 0.1 (29.8) 18.3

\+ Ultimately, up to £9.8m of this sum may be rebated

x Outturn figures

** Provisional figures only, pending outcome of negotiations

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

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

6 MAY 1987

Prime Minister

To note that a deal on Canary Wharf may need to be decided on during the course of an election campaign if there is a deal at all.

Dear Nicholas

CANARY WHARF: DOCKLANDS LIGHT RAILWAY

Thank you for your letters of 23 April and 1 May.

Following the Consortium's failure to conclude the Master Building Agreement (MBA) and the railway agreement by 30 April, LRT have managed, with some difficulty and at an extra cost of between £2m and £4.5m depending on the contractor chosen, to extend the tenders to 28 May. LRT are seeking an undertaking from the Consortium, which has not yet been given, that they will cover these additional costs.

I agree that we must keep maximum pressure on First Boston to strike a deal by 28 May. We will indeed run into severe difficulties if the railway agreement - and therefore the MBA and related agreements as well - are not concluded by then.

Colleagues should be under no illusion about the effects of further delay beyond 28 May on the railway agreement. There will certainly be further financial penalties which could be considerable if, as seems likely, LRT are unable to secure further extensions of the existing tenders and have to seek new ones. More fundamentally, failure to meet that date would mean that LRT would not be able to guarantee the 42-month timescale for completion of the railway which is the Consortium's central requirement.

If we cannot secure a deal by 28 May we face two problems. First, we will need to secure the Consortium's agreement to bear the financial consequences; second, we will need to secure their unconditional acceptance of a longer timescale

for delivery of the railway. That clearly depends on our being able to attribute the cause of delay beyond 28 May unambiguously to the Consortium.

We must in consequence be prepared, if agreement can be reached by 28 May, to conclude and announce it even though this may be in the course of an Election. I believe that commercial considerations will in this case enable us to justify proceeding in that way.

In the worst case - that the Consortium walk away on or before 28 May - we may have to indicate how we propose to provide and finance the railway, if the Government is returned. To reduce the risk of litigation we shall need to say that a financial contribution to the extension will be secured from the development gains it will generate at Canary Wharf.

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

JOHN MOORE

CC BG

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

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

1 May 1987

NBBR.

Dear John

CANARY WHARF

When I wrote on 23 April, I promised a further report this week.

I understand that, following a meeting which my officials and you had with representatives of First Boston this week, it is clear that negotiations are showing signs of progress, but that we shall not be in a position to take a final view until later in the month. I understand that very severe difficulties would be caused if there were any question of further extending the timing of signature of the rail agreement beyond 28 May and I am sure that we should continue to keep the pressure on First Boston to strike a deal by that date.

However, I think that we will want to be in a position to decide how to handle this in the next 10 days or so. I therefore propose to make a full report to colleagues, on the substance of the deal as it then stands, and about the timing of any deadline, at that point.

In the meantime, I have authorised LDDC to extend the option agreement again for 7 days, and propose to do the same next week.

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

Yours

NICHOLAS RIDLEY

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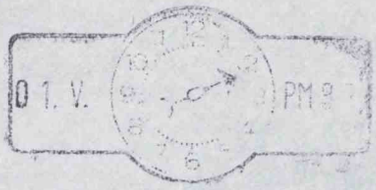
REG. POL — Inner Cities. Pt 9

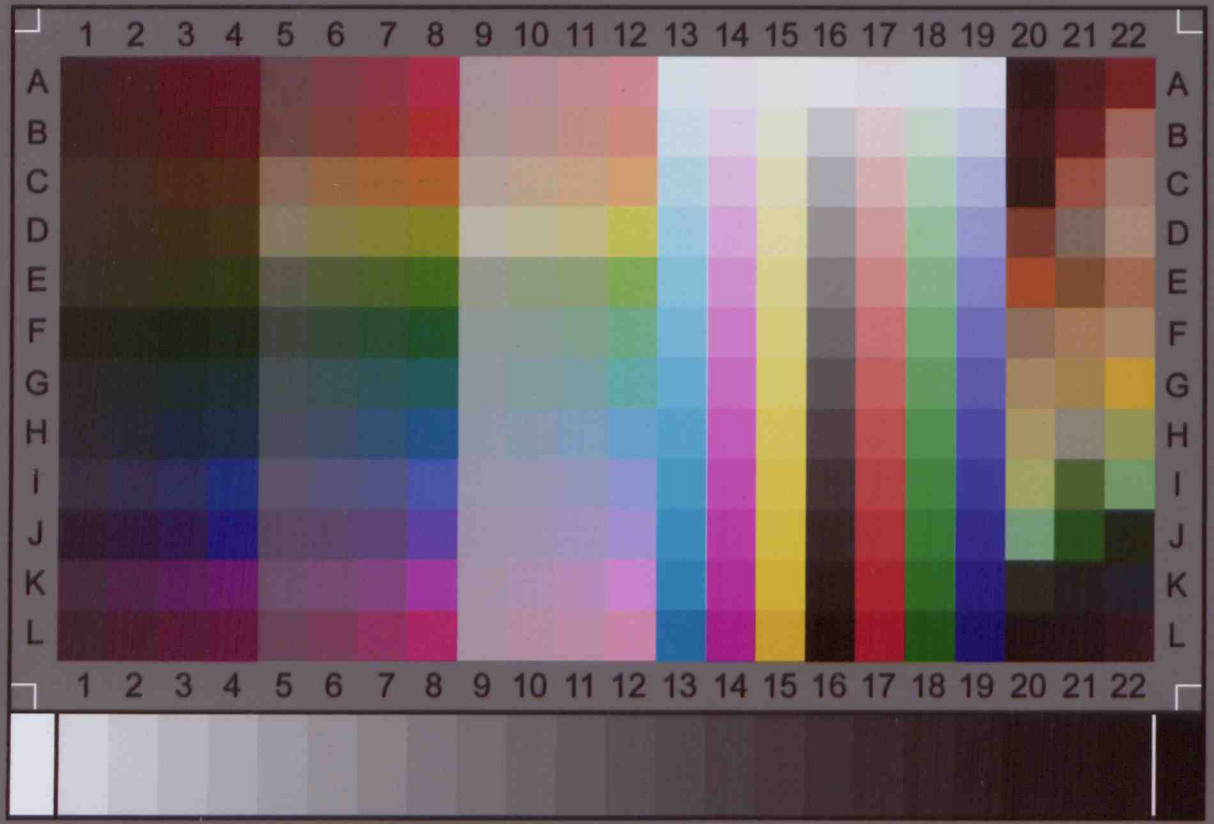


PART 9 ends:-

SS/SCOT TO SS/EMP 24.4.87

PART 10 begins:-

SS/DOE TO SS/TRP 1.5.87



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