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MR PATTISON

QUANGOS - PROPOSAL FOR URBAN DEVELOPMENT CORPORATIONS

1. Sir Keith Joseph sent an interim account to the Prime Minister on 30 July of the consideration being given by E(EA) to Mr Heseltine's proposal to set up new bodies, to be called Urban Development Corporations (UDCs), to deal with problems of inner city areas, with particular reference to the docklands of London and Liverpool. I understand that Sir Keith Joseph is now submitting firm proposals to the Prime Minister following a further discussion in E(EA) this morning. *not yet rec'd.*

2. There are three aspects of this proposal which need to be considered -

The quango aspect

The public expenditure implications

The merits of the proposal

3. I understand that Sir Keith Joseph will report that the majority in E(EA) strongly supported the proposal on merits, but that the Financial Secretary reserved the Chancellor of the Exchequer's position, and that the Prime Minister's potential interest in the creation of new quangos was taken on board. Mr Heseltine would like to make a very early announcement, but it was recognised that the Prime Minister and/or the Chancellor might want a further collective discussion, possibly in Cabinet.

The quango aspect

4. I have put the quango aspect first, because that is my special interest. The proposed new Corporations would be very similar to the New Town Corporations, and would for certain planning and expenditure purposes supersede the role of the local authorities - including, in London, the existing statutory Dockland Joint Committee, in which a number of different local authorities come together with special planning powers. This existing Committee would be displaced by the Urban Development Corporation for Docklands. Although the present intention is to set up these new Corporations only for London and Liverpool, the legislation would enable them to be set up in other towns also.

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5. If this measure is approved, the presentation will need careful handling. It will not be possible to claim virtue for the very small savings on the bodies which Mr Heseltine is going to axe, which will be far outweighed by the large expenditure on these new Corporations.

6. It is true that Mr Heseltine intends that the existing New Town Corporations should in due course be wound up, but that has always been the intention. The Government will be able to claim no more than that they are winding up bodies which have served their purpose. It will be important not to imply that the New Town Corporations are going because they are undemocratic and bureaucratic, if very similar Urban Development Corporations are being set up.

7. It does not follow that, because the Prime Minister wants to reduce quangos generally, new ones cannot be created where there is a very strong case, any more than the reduction in public expenditure generally prevents exceptional treatment for cases of clear priority, such as security in Northern Ireland. But everyone recognises the over-riding priority of security measures in Northern Ireland, whereas the Urban Development Corporations will be strongly opposed in some quarters. Therefore, even with careful presentation, the Prime Minister would have to expect to be charged with inconsistency.

Public expenditure

8. Expenditure on the new Corporations in London and Liverpool would build up to a large amount, perhaps £100 million a year in due course. There would be no point in having them otherwise, because they are meant to be more dynamic in spending money than the existing local authorities. Mr Heseltine says that he will accommodate the cost within his programmes at whatever level is approved, but obviously it would become that much more difficult to secure savings in these programmes - all the more so if there is successful pressure to set up Urban Development Corporations in other cities also.

9. It is of course for the Chancellor to state his position on this. My understanding is that, as of this morning, he was strongly opposed to the proposal, but Mr Heseltine was to call on him this afternoon, and I do not know if this will have resulted in any softening of the Treasury's attitude.

Merits

9. There is certainly a problem over dereliction in London, starting on the South Bank close to the National Theatre, long before you get to docklands proper. This has been caused

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largely by the container revolution, which has rendered most of the wharfing and warehousing activities along the Thames redundant. I am not myself convinced that resort to a new Corporation will produce better results than making further efforts to activate the admittedly unsatisfactory Docklands Joint Committee. I do not have a similar first hand acquaintance with the Liverpool situation.

Conclusion

10. I do not think that a decision should be rushed simply for the sake of an early announcement. In substance the public expenditure cost is more serious than the quango aspect, but at the least there is a presentational problem which will need careful handling.

L.P.
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6 September 1979

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