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Goat  
Buntings

Ref. A05147

PRIME MINISTER

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International Conference Centre

(C(81) 34 and 35)

BACKGROUND

Cabinet last discussed this project on 17th July 1980 (CC(80) 29th Conclusions, Minute 4). The Secretary of State for the Environment then said that, if there were to be an International Conference Centre, the Broad Sanctuary site offered the only practicable solution; he had found no other suitable sites within a three-mile radius of Whitehall and to adapt existing buildings, such as Somerset House or Richmond Terrace, would cost more and take longer. Summing up the discussion you said that:

"... while the majority of the Cabinet were in favour of building an International Conference Centre on the Broad Sanctuary site there were major objections to committing public expenditure for this purpose in present circumstances. The Cabinet therefore agreed that the project could go ahead only if it could be financed from the private sector. The cost of clearing the site and providing for the Parliamentary Telephone Exchange extension could however be borne on public funds".

2. The Cabinet invited the Secretary of State for the Environment to explore how the proposed International Conference Centre on the Broad Sanctuary site could be financed from the private sector. His search led to the "Pearl" proposal which he reported to you and a few senior colleagues. The Chief Secretary, Treasury objected to acceptance of the proposal and it proved impossible to reconcile the differences in ad hoc discussions under your chairmanship. The issue has thus been brought back to Cabinet for resolution.

3. In C(81) 34, the Foreign and Commonwealth Secretary and the Secretary of State for the Environment invite the Cabinet to agree either that an International Conference Centre should be built at Broad Sanctuary, Westminster,

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with private sector funds, or that the Secretary of State for the Environment should be authorised to put the Broad Sanctuary site on the market for immediate sale. The private sector funding would come from the Pearl Assurance Company, on the terms summarised in the Annex to C(81) 34; Pearl has extended the deadline for acceptance to the end of June.

4. The Chief Secretary recommends, in C(81) 35, that Pearl's offer should be rejected. He argues that the proposal is in effect for a Government project financed with a private sector mortgage (his paragraph 2), that it would be attacked as a device to evade public expenditure controls (paragraph 4), and that it could crowd out, or make more expensive, the financing of more profitable schemes in the private and public sectors (paragraph 5). He points out in his paragraph 3, and in the Annex to his paper, that private sector financing in this way is more expensive than Government financing, since the Government can borrow on better terms than can Pearl.

5. We could perhaps take for granted, as established by the previous discussion in Cabinet and by later exchanges, that if there is to be an International Conference Centre in London, Broad Sanctuary offers the most - perhaps the only - practicable site.

6. What the Treasury is doing is in effect holding out a sort of Morton's Fork: we cannot afford to take the capital cost on public expenditure, and we ought not to enter into a scheme for private financing which in the long run costs more (as by definition it must) than public financing. The Treasury is by implication inviting the Cabinet to overturn the view it reached by a majority last year, that there should be an International Conference Centre on Broad Sanctuary.

7. What the recent exchanges have done is to demonstrate what was probably obvious a priori: that it is the Government that needs the Centre, and the Government (or governmental organisations) that will be the main user of it, and that financing it out of public expenditure is likely to be, by a substantial margin, the most economical way of financing it. Perhaps it can also be regarded as

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established - the Secretary of State for the Environment is clearly convinced — that, if it is to be financed by the private sector, the deal he has provisionally arranged is the best deal possible under the terms laid down by Cabinet. He is satisfied that there is no prospect of a private developer providing a building of this sort and letting it to the Government as and when it is needed for conference purposes; there is not sufficient private sector demand for this particular type of conference facility. He sees it as a Government conference centre designed by private consultants, built with private sector funds and under the direction of a private sector management contractor.

8. If public finance for the construction is not available, and private sector financing on any terms likely to be available is not acceptable, what is to be done with the site? The Secretary of State for the Environment now proposes putting the site on immediate sale. What would it be likely to fetch (presumably there would be planning restrictions on the use of the site)? Is it really politically conceivable for the Government to sell this site for commercial development - or conceivably to some Arab Government for an embassy? Last time some Ministers thought not. Is there any other possible Government use for the site: an additional building for Parliament, for instance? Or should it just be turned into a garden or park? Would anyone use it, with the much larger St. James's Park so close? No-one uses Parliament Square as a garden, or Caxton Green.

#### HANDLING

9. After the Secretary of State for the Environment and the Foreign and Commonwealth Secretary have put their case, the Chief Secretary, Treasury will wish to reply. The Home Secretary is the only other Minister with a clear Departmental interest - last year he advised that, contrary to his own personal view, the local authorities and the police thought that satisfactory arrangements could be made to deal with traffic around Broad Sanctuary. A number of other Ministers are likely to have views on the proposals; since the site is so near to Parliament, and in view of the purpose of the project, it might be helpful to hear, in particular, the opinions of the Chancellor of the Duchy of Lancaster and of the Lord President of the Council.

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10. The main questions which you will wish to consider in discussion seem to be:-

- (i) Does the Cabinet confirm its earlier decision that an International Conference Centre is needed by 1987 and that it should be built on the Broad Sanctuary site?
- (ii) If so, are the private sector financing terms now proposed in C(81) 34 acceptable and defensible as being as good as is likely to be available for private sector financing?
- (iii) If not, is the Cabinet prepared to consider public financing (which means taking this out of the central contingency reserve)?
- (iv) If neither private nor public financing is acceptable:
  - (a) Does the Cabinet accept the consequence that there would be no International Conference Centre on Broad Sanctuary?
  - (b) What provision (if any) is to be made to meet the need for international conference facilities, when, and where?
  - (c) Is the Broad Sanctuary site to be used for other Government building, sold for commercial development, or grassed over?

11. If answers are called for to the last two questions under (iv), the Cabinet may want the Ministers concerned to put forward considered proposals separately. In discussion last year, some members of the Cabinet thought that, in view of its position, there could be no question of simply selling this site for commercial development.

#### CONCLUSIONS

12. In the light of the discussion you will wish to record conclusions on whether the proposals by the Secretary of State for the Environment and the Foreign and Commonwealth Secretary, in paragraphs 11a. and b. of C(81) 34, are acceptable.

13. If the proposals are not acceptable, the Cabinet will need to decide whether there is any point in looking for further alternatives for financing an International Conference Centre on this site; whether public financing is

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acceptable, faute de mieux; and, if not, whether the Broad Sanctuary site is to be used for other Government building, sold for commercial development or grassed over, and what is to be done to provide international conference facilities.

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ROBERT ARMSTRONG

CONQUEROR

24th June, 1981

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