

PRIME MINISTER

cc. Mr. Gow

Anthony Steen writes protesting about the Government's predicted response to the inner cities problems as reported in The Times on Wednesday.

He goes on to remind you that the officers of the Urban Affairs and New Towns Committee had been pressing for a meeting with you at the end of July, but that he persuaded them to wait. He now asks firmly that you do meet them before any decisions are taken.

I have not been able to consult Ian about Mr. Steen's approach as he is away today, but it does seem that Mr. Steen is expressing the same kind of reservations as you have about Mr. Heseltine's proposals. You may well think that it would be useful for you to have a meeting with the officers of the Committee, perhaps accompanied by Mr. Heseltine and Mr. Whitelaw, soon after your first Ministerial meeting about Mr. Heseltine's report. That is scheduled for 7 September. Do you agree?

MA

Yes - very much so
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28 August 1981



HOUSE OF COMMONS

LONDON SW1A 0AA

August 27th 1981

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

Dear Margaret.

THE INNER CITIES

If the headlines in yesterday's TIMES is correct then it looks as if we are heading for more Government intervention and more central Government control I believe this to be the last thing our cities need. Nor will their problems go away by throwing any more public money at them.

As you will so well appreciate the problems of our cities are nothing new; they have not arisen through benign or malign neglect. On the contrary, the cities have increasingly been recognised as posing special political, social and economical difficulties. What has happened though is a mistaken diagnosis has led to the continued application of the wrong medicine, administered in ever increasing doses and, not surprisingly, things are taking a turn for the worse.

The Urban Affairs and New Towns Committee have been pointing this out for some time now and the need for our Party to be more closely identified with the urban voter, not just those living in the inner city.

We have questioned the wisdom of maintaining Partnership Committees to redirect effort in tackling inner city problems, if membership is confined solely to public officials, elected representatives and Government Ministers.

We have campaigned for the release of land hoarded by public authorities. The sooner it can be auctioned off the better. This, we believe, is important to urban renewal, as is the need to stop erosion of good agricultural land currently running at 40,000 acres a year.

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HOUSE OF COMMONS
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There is clearly little point in there being a Government commitment to urban revitalisation if what one Department does is negated by another's efforts (Hansard 9th February 1981 Column 604 enclosed).

We are convinced that the solution will be found in 'privatising' the cities and that means less Government interference - not more.

The Officers of my Committee asked that I approach you at the end of July with a view to discussing with you the inner city problems. I persuaded them that you could do without seeing us at that time, But, subsequent events have proved me wrong.

Would you be so kind as to meet us before any decisions are taken about the cities. This is something about which my Committee Members are really quite knowledgeable, but as yet we have neither been involved nor consulted.

With kindest regards

L. Perry

Clayton Perry

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Heseltine package for inner cities splits the Cabinet

By Our Special Correspondent

The Prime Minister has called an early meeting with Sir Geoffrey Howe, the Chancellor of the Exchequer, Mr Michael Heseltine, the Secretary of State for the Environment, and other senior ministers to try to resolve growing conflict over a highly sensitive and personal report by Mr Heseltine on the problems of inner Liverpool.

The main points of the report, which was personally commissioned by Mrs Margaret Thatcher in the wake of the Toxteth riots, are:

- Cabinet ministers to be given individual responsibility for specific run-down areas;
- a new central government directorate in each inner city area to coordinate state spending by all Whitehall departments;
- a massive cut in the powers of the metropolitan councils, which are seen as having contributed heavily to the wasteful use of resources;
- a new official committee in London to ensure that any additional public spending is directly related to the assistance of private sector projects.

The suggested redesignation of ministerial responsibility could play a part in the forthcoming Cabinet reshuffle.

Several senior Conservatives —by no means all of them allies of Mr Heseltine—see the report as the most serious attempt yet to reconcile increased help for the inner cities with existing Tory doctrine. Treasury ministers, however, are known to be afraid that the Heseltine plan is nothing more than a well disguised blank cheque.

Although Mr Heseltine has been careful not to be specific in suggesting increased government spending, the tone of the report implies complete rejection of the Chancellor's "enterprise zone" concept for inner city regeneration. Since coming

to power Sir Geoffrey has laid much philosophical store by his 11 experimental enterprise zones, in which for a 10-year period businesses are exempt from rates and certain bureaucratic controls.

Mr Heseltine, however, makes it clear in the report that in certain areas the decay has gone so far that only carefully controlled government investment can help turn the tide.

The message Mr Heseltine is giving his Cabinet critics is similar to the one he gave to the people of Toxteth when he arrived on his three-week visit. "There is no new large crock of gold", he said, "but very large sums of money are already being spent and they do not appear to have solved the problems."

His objective is to reduce waste and concentrate state spending on projects which the private sector has in advance agreed to carry out, if the state spending takes place. A section of the Mersey might be dredged, for example, if a particular boat building business was placed on the horizon. Land reclamation would be carried out to meet specific manufacturing and office needs.

One of Mr Heseltine's most publicized acts in his stay in Liverpool was a walkabout with prominent bankers, financiers and businessmen. He is hoping that they will come up with new profitable business ideas that will benefit from specific government help. A committee would be established in Mr Heseltine's own department to coordinate the ideas.

The new regional directorates in the hearts of the inner cities would make sure that money allocated did not clash with existing state spending. The fact that direct responsibility would rest with

a Cabinet minister would ensure that the schemes were not impeded.

Mrs Thatcher is known to have been impressed with the style and presentation of Mr Heseltine's analysis. It bears a strong personal and party-political stamp rather than the dead hand of Whitehall jargon. It has a Disraelian ring and is strongly geared towards the increasing problem of presenting the Conservative party at the next general election.

The Toxteth riots have exercised a considerable hold on Tory party thinking since they first erupted at the beginning of July. They have already forced Mr James Prior, Secretary of State for Employment, to bring forward the extension of the Youth Opportunities Programme, a measure originally intended to appease the party faithful at the autumn conference.

Urban riots, far more than trade union reformers and prophets of monetarist doom, are likely to make the Prime Minister soften her hard-line position. At the planned meeting with her ministers, expected to take place next week or in the second week of September, Mrs Thatcher looks increasingly likely to side with Mr Heseltine against the Treasury.

The Heseltine plan would also give her some extra flexibility in the coming Cabinet reshuffle. The man tipped most strongly to be given an inner city responsibility is Mr Norman Fowler, Secretary of State for Transport.

Other names mentioned include Mr Mark Carlisle, Secretary of State for Education, and Mr Patrick Jenkin, Secretary of State for Social Services.

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Inner Cities Policy

3.31 pm

The Secretary of State for the Environment (Mr. Michael Heseltine): With permission, Mr. Speaker, I should like to make a statement on the outcome of the review of inner city policy.

The inner city partnership and programme authority arrangements will continue, but I have taken steps to simplify their procedures and intend to consult local authorities very soon on guidelines that will enable programmes to be more efficiently handled.

The private sector should be encouraged to play the fullest possible part. I therefore intend to make effective consultation with local industry and commerce a prior condition of providing urban programme grant. The voluntary sector can also contribute much, and should also be consulted.

I have decided not to make any changes now in the list of authorities with partnership or programme authority status, or designated under the Inner Urban Areas Act 1978. This reflects my assessment of the latest evidence, the constraints on public expenditure and the need to allow time to measure the impact.

I have already announced, subject to parliamentary approval, my intention to establish two new urban development corporations in London docklands and Merseyside. The creation of the London Docklands Developments Corporation will mean the end of the existing partnership arrangements in London docklands, to be succeeded by separate arrangements.

We are planning significant increases in expenditure on inner city regeneration—the total provision in 1981-82 at 1980 survey prices will be some £224 million. Of that, some £158 million will go to the urban programme and £66 million to the two corporations. This latter figure includes some moneys for land acquisition; in addition, the urban development corporations may be able to acquire and redevelop some further land owned by statutory undertakers.

Allocations under the main programme, which, despite reductions, remain the largest components of public investment in inner cities, will continue, where possible, to take into account their needs.

Inner cities remain vitally important to the health of the country. This Government have ensured that more schemes under the urban programme are being aimed at strengthening the local economies and improving the environment, though there will continue to be a role for social and community projects. Our aim remains to make these places where people want to live and work, and where the private investor is prepared to put his money. The changes that I have made and intend to make should ensure that we can mobilise resources as effectively as possible to tackle the problems.

Mr. Gerald Kaufman (Manchester, Ardwick): Why does the right hon. Gentleman never tell the House the straight truth? Why is he pretending that there is an increase in expenditure on the urban programme when, in fact, he is cutting the main urban programme for 1981-82 by 26 per cent. from the sums of money allocated in the 1979 White Paper?

Why does not the right hon. Gentleman also take into account his cut in rate support grant for the metropolitan

areas of £440 million, a 10 per cent. reduction? Why does he not take into account his cut of 27 per cent. in the housing investment programme, including a cut of 36 per cent. in London?

Is the right hon. Gentleman aware that

“We cannot afford the waste of resources, of people and of land, represented by areas of dereliction and desolation around our city centres. We cannot risk the build-up of frustration and anger to which such decay gives rise,”

with the effect on

“the elderly, the poor, the new immigrant communities”?

Does the right hon. Gentleman recall that those are the very words that he used in his statement on inner cities policy in September 1979? Is he aware that it is his victimisation of the inner city areas that is bringing about the very desolation, frustration and anger of which he spoke?

Mr. Heseltine: The House will realise that it is a curious sort of victimisation when one announces a record amount of money available to deal with the problem—more than the House has ever been asked to consider.

The right hon. Gentleman is not living in a real world when he tries to compare the increases that I am announcing—increases over past expenditure—with a notional White Paper published by a Government who were subsequently defeated and who had no prospect whatsoever of carrying out those plans if they had been elected.

I totally support the right hon. Gentleman's quotation of my expressed concern about the problems of dereliction in these areas. It was precisely because I felt such concern that I persuaded my colleagues that we should include the proposals for the urban development corporations and the land registers, which were the first really effective attempts to bring together in one organisation the methods needed to cater for the problems.

Mr. Anthony Steen (Liverpool, Wavertree): I welcome the Government's recommitment to the revitalisation of the inner areas, but does my right hon. Friend agree that a number of other Government Departments and local authorities are doing various things that negate his continued efforts to revive the inner cities? For example, the favouring of beet sugar rather than cane sugar is resulting in Tate and Lyle closing its factory in the inner city of Liverpool, which means the loss of 1,600 jobs and £½ million of rate income. There is little point in announcing more money for partnership if the inner city is denuded of 1,600 jobs and £½ million of rate income.

Mr. Heseltine: I know that my hon. Friend shares my concern about the problems of trying to create a better infrastructure and a better climate in the inner cities, but I must ask him to talk to my right hon. Friend the Minister of Agriculture, Fisheries and Food about the specific problems of the cane sugar industry.

Mr. Ian Mikardo (Bethnal Green and Bow): Is the right hon. Gentleman aware that in that part of docklands contained within the borough of Tower Hamlets there has been a notable and rapid increase in the number of entrepreneurs, both large and small, being brought in for job creation and environmental improvement, all of which are doing very well, and that the coming of the urban development corporation will merely throw a spanner into those works?