002/4215

CONFIDENTIAL

CE BG

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers. Parliament Street. SW1P 3AG

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

22 February 1988

Dear Secretary of State,

**UDCs - MERSEYSIDE AND THE LOWER DON VALLEY**

Thank you for your letter of 18 February. f at flap

I would emphasise that I feel it is important that the Merseyside Development Corporation succeeds in achieving the highest possible public: private investment ratios, and that these ratios are given high priority when UDC sites are being considered.

However, having considered the points in your further letter I am prepared to agree that the feasibility study by consultants should go ahead. If the consultants decide that the proposals, including the Wirral sites, cannot achieve your estimated overall public: private investment ratio of between 1:4 and 1:6, at a public expenditure cost of between £50 million and £90 million over the eight or nine year timespan, then we will need to consider whether the least attractive sites should be excluded from the extension.

I am copying this letter to the Prime Minister, other members of the E(UP) and to Sir Robin Butler.

Yours sincerely,

Jill Rutter

**pp JOHN MAJOR**

(Approved by the Chief Secretary and signed in his absence).

REGIONAL POLICY: Inner Cities

Pt 12

CBG

dti

the department for Enterprise

The Rt. Hon. Kenneth Clarke QC MP
Chancellor of the Duchy of Lancaster and
Minister of Trade and Industry

CONFIDENTIAL

Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 215 5147
Our ref
Your ref
Date 19 February 1988

NBPM
RRCG

Dear Chief Secretary,

**UDCs - MERSEYSIDE AND LOWER DON VALLEY** with PG?

I have seen your reply to Nicholas Ridley's letter of 18 February.

I strongly support Nicholas' proposals. There is a great deal of potential to achieve results on sites in the Wirral which have been relatively neglected compared with MDC areas in Liverpool. I know that there is considerable business interest in the proposed sites which can be unlocked by the single-minded initiative which Nicholas Ridley proposes.

Progress in the new UDC areas will need to be carefully tracked to enable us to build up the record of a string of success stories following the launch of our new inner city drive on 7 March. More important at present, however, is to be able to have the new UDCs ready for announcement then.

I have noted the concessions Nicholas is prepared to make in New Brighton. I hope in view of this and the importance of the 7 March announcement you will be able to give your early agreement.

EC7ABH

dti

the department for Enterprise

I am copying this to the Prime Minister, other members of E(UP) and to Sir Robin Butler.

Yours sincerely,

Peter Smith

pp KENNETH CLARKE

(Approved by the Chancellor and signed in his absence)

EC7ABH

CONFIDENTIAL

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1

18 February 1988

Dear John

UDCs - MERSEYSIDE AND LOWER DON VALLEY

Thank you for your letter of 17 February.

I am content to proceed as you suggest on the Lower Don Valley and will indicate in the announcement that the UDC will have a proposed lifespan of seven years.

So far as Merseyside is concerned, I cannot accept your suggestion that we should exclude the Wirral. There are strong political reasons for including the areas proposed in New Brighton and Birkenhead. The urban problems of central Birkenhead are at least as severe in terms of physical dereliction as those of Liverpool. To extend MDC in Liverpool and ignore the Wirral would be seen as rewarding the former for the intransigence of the local authority.

My officials have been looking again at the preliminary estimated costs of the Wirral sites with the MDC. In New Brighton I am prepared to reduce considerably the size of the area. It should be possible to achieve a substantial element of regeneration in this reduced area for about £5m (as against our original estimate of £20m) levering private sector investment of £20-£40m. In Birkenhead, with a slight reduction in the size of the area, the public expenditure for regeneration can probably be reduced by £5m, bringing the cost down to £23m, still levering private investment of £25-£34m. This should reduce the overall expenditure to £88m, giving an overall leverage of approximately 1:4 to 1:6.

But, as I said in my previous letter, these are very preliminary figures. To emphasise this point, I should be happy for the statement to indicate that consultants will be appointed shortly to study the proposed areas and advise on the feasibility of extending MDC into them. It could also indicate that expenditure is likely to be in the range between £50m and £90m over eight or nine years.

CONFIDENTIAL

I have noted your point about dedesignating part of the existing MDC areas. My officials are looking into this.

Finally, I note what you say about a bid in the forthcoming PES round. As I said in my earlier letter, I can accommodate both these initiatives within my existing PES provision. However, there are so many opportunities opening up in inner cities that I must reserve my position on the possibility of a bid in the forthcoming PES round.

I am copying this letter to the Prime Minister, other members of E(UP) and to Sir Robin Butler.

Yours ever
Nicholas

NICHOLAS RIDLEY

Reg Pol: Inner Cities Pt 12.

CONFIDENTIAL

For Sara

cc:
Mr Anson
Mr Kemp
Mr Monck
Mr Burgner
Mr Instone
Mr Hawtin
Mr Turnbull
Mr Waller
Ms G Haskins
Mr Call
Mr Betenson

Treasury Chambers, Parliament Street, SW1P 3AG

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

NBPM

RRCG

17 February 1988

Dear Secretary of State,

**URBAN DEVELOPMENT CORPORATIONS - MERSEYSIDE AND THE LOWER DON VALLEY**

Thank you for your letter of 15 February.

I am content with your proposals subject to the following points.

First, you propose to extend the Merseyside Development Corporation (MDC) incorporating two new areas on the Wirral as well as two further sites in Liverpool. Whereas the sites in Liverpool apparently offer good public: private investment leverage ratios of around 1:5, the areas on the Wirral only offer ratios averaging about 1: 1.5. This is not good value for money, and it is important that the MDC succeeds in achieving high leverage ratios. Including the Wirral Sites would also increase the gross public expenditure cost of the extension from £60 million to £108 million. I would therefore suggest that the two areas of the Wirral be excluded from the list of possible sites for inclusion in the MDC. I believe that there is the possibility of de-designating certain small areas where the Merseyside Development Corporation's task is finished. This would be helpful in demonstrating the temporary nature of UDCs. I would also suggest that in your announcement you make clear the nine year lifespan of the extension to the UDC.

Second, the Lower Don Valley UDC proposal has been streamlined considerably since it was first suggested in October, and I would be content for it to go ahead, provided that a statement of the proposed lifespan of seven years is included in the announcement of the UDC.

Reg Pol: Inner Cities PT 12.

CONFIDENTIAL

You say in your letter that your inner cities programmes for the next three years will be fully committed if these proposals are introduced. You reserve your position on the possibility of a bid in the forthcoming PES round. You will realise that there is no question of my accepting a PES bid as a result of pressures on expenditure arising from these proposals. Given the increasing emphasis placed in your programme on the City Grant and on UDCs, and the lesser emphasis being placed on other aspects, I would expect you to be able, if necessary, to find offsetting savings elsewhere in your programme, notably in that part of the Urban Programme channelled through local authorities.

I have noted the helpful information given in your letter for measuring the success of the UDCs, and expect that you will monitor them according to these targets.

I am copying this letter to the Prime Minister, other members of the E(UP), and to Sir Robin Butler.

Yours sincerely,

Jim Rutter

PP JOHN MAJOR

(Approved by the Chief Secretary and signed in his absence).

CONFIDENTIAL

110

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1

15 February 1988

Dear John

URBAN DEVELOPMENT CORPORATIONS

I would be grateful for your agreement to my proposals for the extension of the Merseyside Development Corporation and the establishment of a UDC in the Lower Don Valley. This featured in our discussion with the Prime Minister on 21 January and 10 February; and our officials have discussed it further. I should like to be able to announce these proposals in our Inner Cities statement.

The individual proposals are detailed in annexes 1 and 2 to this letter. The Merseyside UDC is coming to the point in its life where we must either decide to wind it up or to extend its area - it is nearing completion of the task within the originally designated area. It has made a significant contribution to retaining some economic activity on Merseyside, and in encouraging a tourism orientated development strategy. Given the particular political circumstances of the area, retaining the UDC would represent continuing Government commitment to the area - whereas allowing wind down could be interpreted as turning our backs. Now that the worst areas have been tackled, the extension could lever in significant additional private sector investment - perhaps up to £500 million, for a public sector investment of just over £100 million. These are preliminary figures. We would need to appoint consultants to study the extension areas as soon as the announcement is made.

So far as Lower Don Valley (LDV) is concerned, this is one possibility I looked at during the first round of selection of third generation UDCs, but we deferred a decision. I now suggest a smaller area, some 2,000 acres, is chosen, requiring a public sector commitment of £50 million over 7 years, levering in private sector investment of about £290 million, leading to the construction of 3 million square feet of industrial, commercial, retail and leisure development, and the creation of 5,800 permanent jobs.

I can meet the cost of both these proposals within my existing PESC provisions. Part of the LDV expenditure will fall on my URG and DLG budgets. The table at Annex 3 sets out the position. My inner cities expenditure programmes are however now fully committed, and I must reserve my position on the possibility of a bid in the forthcoming PESC round.

In our earlier correspondence, I mentioned the possibility of a UDC in St Helens. The private sector/local authority initiative is going well and I do not think we need consider further the possibility of a UDC. So far as other areas are concerned, I have no present plans for other new UDCs.

I would be grateful for your early agreement to these proposals. I am copying this to the Prime Minister, other members of E(UP) and to Sir Robin Butler.

Yours ever

Nicholas

NICHOLAS RIDLEY

CONFIDENTIAL

Annex 1

LOWER DON VALLEY - UDC

## Introduction

This paper proposes the establishment by the Secretary of State for the Environment of a mini-UDC to regenerate the Lower Don Valley. The Secretary of State is satisfied that this would be the most cost effective mechanism for securing the area's regeneration, with the necessary resources being found within existing PESC provision in the Urban Block.

## Consultants Proposals

A study of the future of the Lower Don Valley by Coopers and Lybrand was commissioned jointly by Government (DOE, DTI and D/Emp), Sheffield City Council and the private sector. It was published on 26 November.

The report concludes that although problems brought about by industrial restructuring were substantial, the area is strategicallylocated in relation to the M1 and the city centre and has potential for economic regeneration. The Lower Don Valley remains an important area nationally for the steel processing industry and contains 60% of Sheffield's industrial land.

The consultants identified a strategy based on land assembly and preparation, economic development (including housing), environmental programmes and projects to improve the image of the city. Six "flag ship" projects are identified to achieve these objectives. Under these proposals the private sector input is £313 million and public sector input £93 million. Some aspects of the individual projects may give rise to reservations, but they are broadly realistic, and the overall leverage of 1:3.36 public to private sector funding is credible. An important part of the proposed strategy is the assumption by the Consultants that there would be a demand for 300 acres of industrial space in the Valley. The consultants, pressed hard, stand by their estimates, which have also been discussed with English Estates: this suggests the estimate is realistic.

The consultants suggested that redevelopment could be achieved by an Urban Regeneration Project with the private sector, local authority and community organisations each electing their own representatives, with Government committing in advance the necessary resources.

## Revised Proposals

A UDC is the only mechanism which can give the financial security essential to drawing in sufficient private sector funds to regenerate the Lower Don Valley. The UDC would be welcomed by the private sector in Sheffield, who already urge Ministers to adopt this course of action. The leader of the Conservative Group on the City Council has supported the option. The signs are that the controlling Labour Group would now accept the UDC - they are strongly committed to the World Student Games to be held in Sheffield in 1991 and would not want an unnecessary row with HMG which could jeopardise the event's success (no HMG financial commitment has been made to this project, which is therefore falling fully on the City Council). Sir John Osborn, MP for Hallam, has written to the Prime Minister, supporting the proposal.

The area studied in the original Coopers and Lybrand Report was fairly arbitrary. Having looked at it in detail, it is proposed to reduce the area from 2,600 acres to 2,000 acres, inter alia excluding the area where World Student Games facilities would be provided. The costs have also been scrutinized in detail, as shown in Table 1: of the original £94 million proposed by the C&L Report, UDC costs would be contained to some £50 million within these modified boundaries, with one of the largest commitments previously envisaged - £10 million for Meadowhall -now recognized as unnecessary (the scheme could proceed without it.) Total private sector investment is now expected to be about £290m, a leverage of over 1:5. The expenditure would be spread over a seven year timespan.

Of the £50 million, some £16.5 million would be direct UDC expenditure (on land assembly, publicity and overheads). A further £33 million would be paid in the form of UDG/URG and would be found from those allocations. A significant proportion might have been committed to the area in any event but the UDC will coordinate more effective delivery and stimulate further projects. The projected outputs for this investment would be:

Housing - 100 units

Industry - 1.2 million square feet

Commerce - 2 million square feet

CONFIDENTIAL

Retail - 1.315 million square feet

Leisure - .3 million square feet

Public Open Space - 150 acres

Jobs - 5,800 permanent; 4,600 mainly in construction

Leverage - over 1.5

CONFIDENTIAL

TABLE I

LOWER DON VALLEY

| | | £m |
|---|---|---|
| Planning Figure (C and L) | | 93.6 |
| a. Less Meadowhall URG | 10.0 | |
| IDA infrastructure (to be met by DTp) | 10.0 | |
| Leisure (now dropped) | 1.9 | 71.7 |
| b. Less revenue expenditure on Training (normally met by MSC) | 5.0 | 66.7 |
| c. Less committed expenditure | 2.4 | 64.3 |
| d. Reduce boundary | | |
| Attercliffe | 15.0 | 49.3 |

| | | |
|---|---|---|
| UDC Expenditure | | |
| Land acquisition | 14.0 | |
| Admin/promotion | 2.5 | |
| | 16.5 | 16.5 |
| Non UDC Expenditure (UDG/URG etc) | | |
| 1. River corridor | 2.4 | |
| 2. Advance metals | 2.8 | |
| 3. Canal basin | 8.0 | |
| 4. Tinsley Industrial Park | 4.2 | |
| 5. Northern Freight Interchange | 2.0 | |
| 6. Other Capital programmes | 13.4 | |
| | 32.8 | 32.8 |
| | | 49.3 |

| 1988/89 | 1989/90 | 1990/91 | 1991/92 | 1992/93 | 1993/94 | 1994/95 |
|---|---|---|---|---|---|---|
| 6.0 | 10.0 | 11.0 | 8.5 | 6.5 | 5.0 | 3.0 |

# THE FUTURE OF THE MERSEYSIDE DEVELOPMENT CORPORATION

## Summary

1. This paper considers the future of the Merseyside Development Corporation (MDC). It looks at the two basic options of preparing for wind-up or extending the Corporation's area. It concludes that there is a strong case for extension.

## Background

2. MDC is the smallest of the 7 extant UDCs, at 865 acres. It is in sight of completing its original reclamation task set in 1981, and expected then to last 10 years. Physical works of regeneration will be largely finished by 1990/91, the last year for which there is currently financial provision. 388 acres have been reclaimed, 206,000 square metres of buildings refurbished, and 1,300 jobs created. £115m of public money spent has attracted £33m of private investment, with another £87m in prospect (about half of which is committed contractually and which will produce a further 3,500 jobs in total). The relatively poor gearing ratio reflects the general investment problems of Merseyside (although the situation is improving and the prospects are better than they have been for some time). The recent land deal with Mersey Docks and Harbour Company unlocks 114 acres in the Birkenhead area for immediate development (schemes have in fact been held up during the protracted negotiations). A major housing site at Birkenhead (Woodside) is being marketed. MDC are already unable to offer suitable sites to some interested developers.

3. Present indications are that MDC will complete its work in about 4 years time. Significant parts of the area are already developed. No further work remains to be done in Bootle; Liverpool South Docks now has much more than the Albert Dock to show - Liverpool Marina, the Wapping flats and Brunswick Business Park are well advanced, whilst a major development package (gearing 1:6) centred on the new Arena was announced on 17 December.

4. In qualitative terms, MDC has stimulated a favourable investment micro-climate by providing developers with the confidence (and shelter from political instability) which they need. It has been a popular success by and large - local people enjoy facilities such as Albert Dock, and tend to give MDC/ Government the credit, as NAO discovered in their recent "survey". Some of the local MPs have expressed strong support for a continued and wider MDC role.

5. A decision is needed now about MDC's future. If it is to be wound up, as it runs out of work in about three years time, planning to that end will have to start soon. The alternative is to consider selective expansion and a new role for MDC, within spending limits already set in PESC.

Wind Up

6. MDC needs to know soon if it is to be wound up. It must start planning soon for run-down in about 3 years, especially in terms of personnel and structure. The case for wind-up would be that MDC has successfully completed its original task set in 1981 and expected to take about 10 years. It would demonstrate that the temporary nature of UDCs is real and that the Government has no intention of retaining them beyond their useful life.

7. On the other hand, wind-up would leave a significant regeneration task unlikely to be tackled for years. There are nearly 1,000 acres of land in Liverpool and on the Wirral which are under-used and neglected. 25% of this land is derelict. All of it calls for a regeneration effort which has been sadly lacking from the two local authorities. Their total expenditure on all land reclamation last year was only £550,000. At that pace they are never going to make an impression on this major environmental problem. MDC have been markedly successful in their land reclamation and general regeneration task. Their demise would be seen (rightly or not) as signalling waning Government interest in an important inner city area; it might damage the credibility of new UDCs; it would remove a significant instrument for coping with a possible/likely financial crisis in Liverpool (eg as a channel for 'gesture' policies/some real contribution/maintaining private sector confidence and investment).

## Extension

8. Any proposal to extend the MDC raises several important questions in relation to the role of an expanded UDC; which new areas ought to be tackled; the likely costs and benefits; the overall financial implications of extensions; and whether there are any better or cheaper alternatives to this proposal. All these aspects are considered below.

9. There is scope for spreading the MDC's net over a wider Merseyside canvas. As well as maintaining its conventional function of bringing derelict areas back into beneficial use it could act as an instrument fo support for specific needs and policies. MDC could continue to provide much needed support for private sector developers/investors in the absence of the Liverpool City Council's ability and, in the past, unwillingness to assist. The same situation obtains on the Wirral where the Council too has been unable to generate a climate of confidence and stability; an essential prerequisite for potential investors.

## New Designated Areas

10. There are a number of new areas which might be brought under the wing of the MDC. A list of those most in need of regeneration, together with an estimate of the likely expenditure required to effect their regeneration and the possible returns from this expenditure is below. Further details are at Annexes A and B.

| New Designated Area | Area (Acres) | Regeneration cost (£m) | |
|---|---|---|---|
| | | Public | Private |
| Liverpool - North Docks and hinterland | 400 | 55 | 300-400 |
| Liverpool - Parliament Street area | 112 | 5 | 21-32 |
| Wirral - Central Birkenhead | 220 | 28 | 25-34 |
| Wirral - New Brighton | 235 | 20 | 23-70 |
| Totals: | 967 | 108 | 369-536 |

Financial Implications

11. The overall public sector cost of implementing the action needed in all the proposed new areas would be £108m. This could lever in private investment of between £369m-£536m; giving a gearing in the range of 1:3.5-1:5. This is much better than MDC has achieved to date. But private sector investment in the existing area is starting to rise. A number of new developments have started and, by 1991, the situation can be expected to improve still further. MDC's efforts, so far, have been concentrated on reclaiming, at public expense, the large areas of dereliction inherited in 1981. Developer interest in the reclaimed sites is now showing and recent proposals have been producing leverage of 1:6 and more.

12. The unit costs of reclaiming the extended area would be lower than those incurred in the original area, and MDC would be able to capitalise on the reclamation work it has already done. Several of the sites in the North Docks area would be ideal for retail and industrial development and are within walking distance of the City Centre. Thus a leverage much closer to that forecast for the other UDCs might be expected.

13. If expenditure in the new areas, together with residual spending in existing areas (£76m), were phased over the next 9 years - to 1996/97 which would coincide with the intended wind- up dates for the new UDCs - it could be achieved within MDC's baseline which reduces to £25m in 1989/90. But extra resources would be needed beyond the present PES period and the time when provision for MDC was expected to tail off. When capital receipts (estimated at £28m-£41m) are taken into account the total PES requirement is unlikely to exceed £143m. Some of these resources would in any event have been directed to this area under the Urban Programme or through DLG, URG or UDG. Our best estimate of this is £7-14m over the 9 year period.

14. The Corporation could also reduce expenditure by concentrating on areas of developer interest rather than carrying

CONFIDENTIAL

out widespread reclamation work. But, in general terms, as the MDC runs out of work on existing areas it could build up activity in the new ones. This is illustrated in the following table which projects MDC's future resource requirements on the basis of an extension into the areas proposed, and of no change to the present boundaries.

15. This shows some spare capacity against the baseline earmarked for MDC over the next 3 years, whether or not MDC is expanded. If MDC were expanded, extra resources would be needed beyond the PES period - but at a level lower than the existing baseline.

Alternatives to Extension

16. Given the scale of the regeneration effort that is clearly still needed in Merseyside it is unlikely that it will be tackled effectively by the existing agencies or grant regimes. MDC operates within a relatively small area; the track record of the local authorities is poor; and the remit and resources of organisations such as English Estates are limited. Private sector initiatives are rare without stimulation via grants such as UDG and DLG. But LA activity and current expenditure is relatively insubstantial in relation to that of MDC. The better performance of the Development Corporation in comparison with the local authorities is undoubtedly due to its ability to target its endeavours to the single minded task of regeneration. It has proved more adept at assembling land for redevelopment and offers a planning regime more responsive to the needs of the developers.

17. There is no reason to suppose an increase in local authority regeneration efforts given their poor performance in the past. Indeed Liverpool City Council is likely to reduce considerably its programmes because of the acute financial problem it now faces. The advent of grant support to the private sector, via DLG and URG, was partially as a result of the inability of Councils such as Liverpool to sponsor regeneration work. But interest from the private sector in either of these grants has been poor in

2/5

CONFIDENTIAL

MERSEYSIDE DC POSSIBLE SPENDING PATTERNS - £m

| Year | 88/89 | 89/90 | 90/91 | 91/92 | 92/93 | 93/94 | 94/95 | 95/96 | 96/97 | Totals |
|---|---|---|---|---|---|---|---|---|---|---|
| <u>MDC including extension</u> | | | | | | | | | | |
| (a) existing areas | 23 | 18 | 8 | 10 | 10 | 7 | - | - | - | 76 |
| (b) new areas | 2 | 7 | 17 | 15 | 15 | 18 | 15 | 14 | 5 | 108 |
| Gross spend | 25 | 25 | 25 | 25 | 25 | 25 | 15 | 14 | 5 | 184 |
| Receipts | - | 5 | 2 | 5 | 5 | 6 | 6 | 7 | 5 | 41 |
| Net public expenditure | 25 | 20 | 23 | 20 | 20 | 19 | 9 | 7 | - | 143 |
| <u>MDC without extension</u> | | | | | | | | | | |
| Projected gross spend | 25 | 23 | 21 | 7 | | | | | | 76 |
| Receipts | - | 5 | 2 | 2 | | | | | | 9 |
| Net public expenditure | 25 | 18 | 19 | 5 | | | | | | 67 |
| MDC baseline | 30 | 25 | 25 | | | | | | | |

Merseyside. Whilst URG, in particular, could provide an alternative means of funding regeneration there is no real expectation that the private sector will respond on the scale required. Many of the areas proposed for designation contain a multitude of land owners. Some will have to be bought out, and the areas redeveloped comprehensively, to bring about the changes necessary. That task can best be carried out by the MDC who can then endeavour to interest developers in the areas and sites that have been prepared for beneficial uses.

18. Nearly 1,000 acres of land have been identified as unused or under-used and neglected in Liverpool and Wirral. Whilst this does not represent, by any means, the extent of this particular problem the areas proposed for extension of the MDC would seem to offer the best prospects of attracting new investment once the essential job of regeneration has been undertaken. The private sector cannot be expected to tackle this problem alone. A catalyst is required. It is unlikely to be found other than via an Urban Development Corporation.

## Reactions to Extension

19. MDC enjoys considerable popular support. Any extension should therefore be generally welcomed, particularly by the influential local media. The local authorities affected - Liverpool and Wirral - would probably object on principle, though stirring up popular opposition would not be easy, especially in areas like the North Docks which are largely unpopulated. They would probably not petition against the extension order, and indeed might privately welcome the injection of further Government funds. Sefton might, on the other hand, complain about being left out. But the reality is that no significant areas there need regeneration on a scale requiring MDC involvement.

## Conclusion

20. There is a strong case for extending the remit of the Merseyside Development Corporation into new areas in Liverpool and on the Wirral. This can be achieved without any increase in

presently planned resource provision for MDC, but it would extend that provision beyond 1991 after which a new commitment will be needed.

21. Worthwhile outputs in terms of housing, industrial, commercial and leisure developments can be expected, with a maximum gearing of about 1:5. A decision to extend MDC could be presented as a logical step given that completion of their original task is now in sight. Spreading their remit into areas which are clearly in need of regeneration would make sense. There is no realistic prospect of tackling the problems of these areas by any other mechanism. This is therefore the recommended course of action.

22. If the MDC is not to be extended, preparations will soon have to be made for its wind-up as it comes within sight of finishing its task. Though this would accord with the general strategy foreshadowed when MDC was set up there is a real risk that run-down would be seen as signifying reduced Government commitment to an area which still has severe problems.

23. If the principle of extending the MDC's remit is accepted then consultants would need to be appointed to draw up firm proposals based on ideas outlined in this paper following an announcement to designate new areas.

ANNEX A

MDC - POSSIBLE NEW DESIGNATED AREAS

1. Liverpool - The North Docks And Industrial Hinterland

An area of some 400 acres stretching 1½ miles from the Pier Head and embracing the southern part of the Mersey Docks and Harbour Board's North Dock estate. It extends inland to cover the industrial hinterland which was designated, at one time, as an industrial improvement area by the now defunct Merseyside County Council.

Many parts of this area, and particularly the docklands, contain unused or underused land. The City Council are currently undertaking a study of the area with a view to its ultimate regeneration. But transformation is unlikely to be achieved by them or the MDHC, whilst they remain the major landholder. There is a prospect of a takeover for the MDHC by the Lancashire based property developers, Peel Holdings, who gained control, last year, of the Manchester Ship Canal Company. Peel are clearly interested in MDHCs land holdings and, on the face of it, offer a better prospect of redeveloping the dockland areas than if those areas remained in the hands of the Docks Company. At this stage it is too early to predict the outcome of Peel's interest in MDHC. But it seems clear that redevelopment is unlikely without substantial inputs of public money either by way of URG or the MDC. Until the Peel position is much clearer it is felt that MDC designation of the North Docks should not be ruled out.

Certainly the Peel interest would not extend to the hinterland which is in a multitude of ownerships. In this situation the Development Corporation could bring a single minded, business orientated, approach to areas largely neglected by the City Council who have not promoted the IIA since it was inherited from the County Council.

Developer interest in this large area is already evident. A planning application for a major retail/leisure development costing £300m has already been made for the Princes Dock site. Whilst there is some doubt as to whether this particular proposal will be carried out, because of the dubious status of the developer, it has sparked off interest in the North Docks. There is a clear desire to match the success of Albert Dock on the other side of the Pier Head area. In addition negotiations for the sale and redevelopment of the derelict 11 acre Bibby site, adjacent to Princes Dock, are at an advance stage with a major London-based property company. In all an area of 50 acres to the immediate north of the city centre is under active consideration for development. But it may require an MDC presence to bring off and spread further into areas of development potential.

Estimated cost of regeneration - £55m.
Prospective private sector investment - £300m-400m.
Estimated receipts - £21m-£31m.

2. Liverpool - Parliament Street (ex) Industrial Improvement Area

The former Parliament Street IIA of some 112 acres lies immediately adjacent to the MDCs existing South Docks area. There is considerable scope for building improvement, a number of previously refurbished buildings have already reverted to dereliction and if MDCs 'prestige' waterfront developments are not to be jeopardised by a poor environment it is essential to improve buildings on the main Dock Road frontage. The prime purpose of designation would be for MDC to assist the private sector through grants and by facilitating investment. The City Council shows little sign of either wishing, or being able, to perform this role.

Improvement of this area, and immediate reinstatement of its Industrial Improvement Area status, would provide MDC with more land to meet the demand generated in the adjacent waterfront area. MDC are no longer able to satisfy that demand by mading suitable sites available. The interest is there and will undoubtedly increase following the construction of the Liverpool Arena, 10 screen cinema, shopping mall, and hotel. But it can only be realised if MDC have the elbow room to accommodate it.

Estimated regeneration cost £5m.
Prospective private sector investment £21m-£32m.
Estimated receipts - £2m.

12 of 16

3. Wirral - Central Birkenhead

An area of 220 acres lying adjacent to the MDCs current designated area on the Wirral and covering the old centre of Birkenhead. Over a number of years there has been a significant exodus of commercial and retail activity here as well as a severe loss of population (20% in recent years). Although many of the buildings in the area are run down, and a number have been cleared, there is still a heavy concentration of privately owned properties, both industrial and residential, in the area. Regeneration would probably be achieved only through a major clearance/development programme. The need for energetic and comprehensive action to prevent this important central area withering away is starkly clear. This task has proved beyond the capability of the local authority (Wirral BC) and could be taken forward by the MDC; an objective supported very emphatically by the local MP, Frank Field.

Estimated cost of regeneration £28m.
Prospective private sector investment - £25m-£34m.
Estimated receipts - £2m.

4. Wirral - New Brighton

Until the 1960s New Brighton was a popular seaside resort visited by 3 million people a year. But its fortunes have faded over recent years and it now has a rundown, decrepit appearance which is unlikely to change until a new role is found for the town. Hopes were raised recently when a development company expressed interest in revamping the resort but this prospect has now faded although there are other potential developers who might be persuaded to invest in the area. Certainly that is the feeling of the local MP, Lynda Chalker, who has, nevertheless, expressed the view regularly to Ministers that the regeneration of New Brighton is unlikely to come about without the helping hand of MDC. The Corporation would be asked to take on an area of some 235 acres which would encompass all of the seafront and immediate hinterland. The majority of the land is in council ownership but they do not have the skills to secure redevelopment. Although they have recently, at Mr Trippier's suggestion, talked in terms of a study to look at the future of New Brighton this is not likely to result in proposals for action that can be realistically taken forward by them.

Estimated cost of regeneration £20m.

Prospective private sector investment - £23m-£70m.

Estimated receipts - £3m-£6m.

CONFIDENTIAL

2/13

## OUTPUTS AND PRIVATE SECTOR INVESTMENT

| | Housing (units) (acres) | Industry (sq ft) (acres) | Retail (sq ft) (acres) | Leisure (sq ft) (acres) | Commercial (sq ft) (acres) | Public open space, other uses (acres) | Private Sector Investment £m | RECEIPTS | Public Spend £m | Extra jobs |
|---|---|---|---|---|---|---|---|---|---|---|
| North L'Pool | 2,700 (180) | 1,360,000 (17) | 660,000 (20) | 400,000 (3) | 840,000 (15) | 40 (inc 30 water) | 300-400 | 8-14 | 55 | 140 |
| Parliament St IIA | 120 (10) | 1,200,000 (15) | 40,000 (1) | 100,000 (2) | 300,000 (7) | 4 | 21-32 | 1-2 | 5 | 600 |
| B'Head Central | 900 (40) | 320,000 (13) | 58,000 (12) | - - | 800,000 (20) | 20 | 25-34 | 3-5 | 28 | 700 |
| New Brighton | - (11) | - - | 50,000 (15) | 300,000 (25) | 100,000 (6) | 100 | 23-70 | 3-5 | 20 | 450 |
| TOTALS | 3,800 | 2,880,000 | 808,000 | 800,000 | 2,040,000 | 164 | 369-536 | 15-26 | 108 | 3150 +1600 5150 |

* The extra jobs are expected to be created on new development sites and refurbished buildings. In addition a further 600 related jobs could be created in the local economy as a result of the primary development plus an additional 1000 jobs which are expected to result from expansion of existing businesses in the 4 areas. These extra jobs have been added to the total.

CONFIDENTIAL

Outputs and Private Sector Investment

All the figures in the table have been provided by the Merseyside Development Corporation in the light of their experience of regeneration work in Merseyside over the past 6 years. They point out that it is difficult to predict future land uses and levels of investment. Whilst they have undertaken some work in looking at the proposed areas for designation it is clear that a consultants study will be needed to produce more substantive information.

MDC have provided the following explanation as to how their figures have been calculated:

(a) Beneficial uses - each area has been examined to establish existing land uses and identify unused or underused land and buildings. The amount and range of development expected on the latter has been estimated in the light of planning policies for the area and recent trends of investment. With an estimated acreage for each after use it is possible to calculcate the extent of development that can realistically be expected to take place. However, much depends on the type and density of the development. For example more industrial floorspace can usually be created via the refurbishment of existing vacant multi storey premises than through the construction of new single storey units.

(b) Private sector investment/receipts - once the size of expected development has been established it is possible to calculate what this means in terms of the private sector costs (plus any public sector contribution towards the development costs) and the returns accruing to the UDC from the sale of land. For these purposes the following estimates have been used:

| After use | Value<br>Land per acre (£K) (Receipts) | Cost<br>Unit of accomm. £ per sq ft |
|---|---|---|
| Housing | 30 - 50 | £8 - 25K |
| Industry | 30 | 5 - 25 |
| Retail | 50 - 150 | 10 - 35 |
| Leisure | 60 - 70 | 3 - 30 |
| Commercial | 50 - 100 | 12 - 25 |

Costs and values will depend on location and likely demand. This has been taken into account in calculating the total returns expected. The range does not, therefore, reflect a straight multiplication of the aggregate of development expected by the figures for each after use shown above.

(c) Public spend - is based on the cost of land acquisition, reclamation and servicing, plus general infrastructure provision and any support needed to stimulate and assist development.

(d) Jobs - The calculations have been based on a ratio of 1 job per 5000 sq ft for refurbished industrial premises; 1 per 1000 for indu (new build) and leisure; 1.5 per 1000 for commercial; and 2 per 1000 for retail. But it has been assumed that some of the space created will not be occupied on completion. The estimates have been reduced accordingly.

2/14F

CONFIDENTIAL

CONFIDENTIAL

ANNEX

UDC PES PROVISION

| | 1988/89 | 1989/90 | 1990/91 |
|---|---|---|---|
| LDDC baseline | 78 | 77 | 79 |
| 4 x 2nd generation UDCs baseline | 80 | 93 | 99 |
| 3rd generation UDCs (direct costs plus call on UDG/URG) | 18 | 30 | 34 |
| Lower Don Valley (direct costs plus call on UDG/URG) | 6 | 10 | 11 |
| MDC (including extension net of receipts) | 25 | 20 | 23 |
| Total | 207 | 230 | 246 |
| Less UDC provision | 203 | 215 | 223 |
| Shortfall - 3rd generation UDCs and LDV net call on UDG/URG* | 4 | 15 | 23 |

UDG/URG PES PROVISION

| | 1988/89 | 1989/90 | 1990/91 |
|---|---|---|---|
| UDG/URG baseline | 35 | 40 | 41 |
| Less 3rd generation UDCs and LDV call on UDG/URG | 4 | 15 | 23 |
| UDG/URG available in non UDC areas | 31 | 25 | 18 |

* The 3rd generation UDCs and Lower Don Valley would be financed partly by Urban Development Grant/Urban Regeneration Grant, some of which would have gone to those areas in any event. The bottom line shows the UDG/URG free after the call from UDCs..