

C/BG



FROM: CHIEF SECRETARY
DATE: 17 November 1986

PRIME MINISTER

SOUTH CARDIFF URBAN RENEWAL

I see from Nick Edwards' minute of 13 November to you that he is proposing to announce the creation of an Urban Development Corporation for Cardiff Docks and the building of a barrage across the harbour mouth on 5 December.

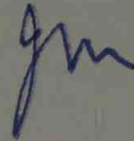
2 Although I am aware from the earlier E(A) discussions that he has been considering a UDC in Cardiff, the present paper is significantly different from his earlier proposals. Despite this, my department was not consulted about it in advance in contravention of our agreed procedures. The proposal should of course also be subject to the normal rules on policy evaluation, and incidently, in the case of the barrage, to rules for Ministerial approval of major capital projects which you agreed earlier this year. Nick's paper gives only a partial indication of the total public expenditure costs and does not quantify at all how much he expects the private sector investment to be. It does not give any estimates of the value of the possible benefits, nor the criteria for measuring success.

3 I appreciate his enthusiasm and his desire to press ahead as quickly as possible, but I do not think his proposal should be approved until we have a much clearer idea of what the costs and benefits will be. I hope you will agree that no announcement should be made until Nick has provided this information and we have had an opportunity to assess it. My officials have only just received the preliminary feasibility studies of the barrage and the redevelopment of the docks area. At first sight these do not appear adequately to answer the questions raised above

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and I suggest that the first step should be for Welsh Office officials to discuss with mine how the further necessary information should be provided.

4 I am copying this minute to Nick Edwards, other members of E(A), John Wakeham, Richard Luce and Sir Robert Armstrong.



JOHN MacGREGOR

Rega Poc: Iner abus pt 8.



2

PRIME MINISTER

SOUTH CARDIFF URBAN RENEWAL

You should be aware that Mr. Edwards has minuted you proposing to announce on 5 December the creation of an urban development corporation for Cardiff Docks and the building of a barrage across the harbour mouth.

Mr. Edwards has not consulted colleagues or particularly the Treasury before putting his proposal to you, and the Chief Secretary has, quite rightly, objected.

The Welsh Office are now considering whether to push their proposal or to allow proper discussion. If Mr. Edwards does decide to push the proposal, I think you will need to be firm with him: he has not yet made the case for what is a major proposal.

DN

DN

18 November, 1986.

JD68

*As we discussed
the Welsh ones,
so we must
dismiss the
Welsh proposal
mb*

PRIME MINISTER

DOCKLANDS LIGHT RAILWAY

A small point.

If the Government decides to let the Bill for the Eastward extension go ahead despite all the very great planning and public expenditure uncertainties, Mr. Edwards will feel even more strongly that he should be allowed to announce the Cardiff Barrage on 5 December.

DRW

DN

21 November, 1986.

JD74



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P02369

From: J B UNWIN
21 November 1986

cc Mr Norgrove No 10

COPY FOR

MR WIGGINS

SOUTH CARDIFF URBAN RENEWAL

NBP 7

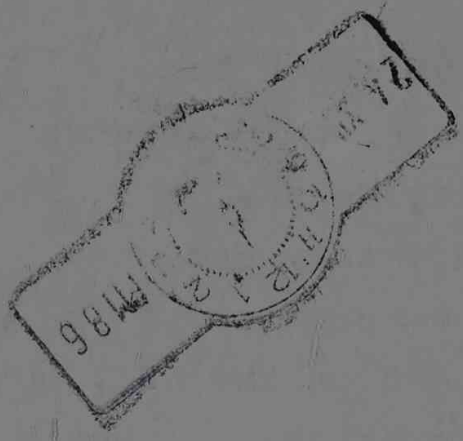
The Welsh Secretary's letter to the Chief Secretary of 24 November (received here on 21 November - the Post Office is improving) renews his request for agreement to announce on 5 December the establishment of a new UDC together with the concept of a barrage (as opposed to the project itself) as part of a wider regeneration objective.

2. I have had a word about this with Robin Butler at the Treasury. I said that if it appeared necessary we would arrange consideration at E(A) early in the week beginning Monday, 1 December. It seemed to me, however, that the Treasury and the Welsh Office should try to reach bilateral agreement first. It might, for example, be possible to reach agreement on the UDC, but to be much less committal on the barrage at this stage. Although the UDC had not been approved, there was in a sense a collective Ministerial presumption in favour of it as a result of the earlier discussions if the actual case was accepted by the Treasury as a sensible one.

3. Robin Butler agreed that this was the right way to proceed and will initiate immediate discussions with the Welsh Office and keep us in touch. We shall need to decide by next Wednesday or Thursday at the latest whether discussion in E(A) is necessary.

J B UNWIN

Curatorial notes



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From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

24 November 1986

John Chief Secretary

SOUTH CARDIFF URBAN RENEWAL

I was slightly surprised by the terms of your minute of 17 November, since when I received it our officials had already arranged detailed discussions. The overall nature of the proposals, including the barrage, has been known to you, other Ministerial colleagues, and officials for some time, of course.

It seems clear from the talk you and I have had, however (and from the exchanges between our officials) that within the Treasury there is a substantial and very basic misunderstanding of precisely what I am intending to announce on 5 December.

I am sorry if this has not been made clear in earlier papers. Let me say now that I have absolutely no intention of announcing that the proposed barrage will be financed from public sector funds. What I shall be saying quite clearly is that I am convinced that the construction of a barrage is the key to unlocking the enormous potential for the regeneration of the South Cardiff waterfront. I shall be making it clear that the construction of a barrage will require primary legislation, that there is much further preparatory investigation to be undertaken and indeed that construction could not begin in a substantial way until late 1988. I am very seized of the legislative timetable point made by John Biffen in his minute of 19 November and there is also the conservation aspect touched on by Nicholas Ridley in his minute of the same date.

I shall also be saying that I propose to set up an urban development corporation to take the whole regeneration proposal forward. One of the first tasks I shall be giving the UDC will be to produce proposals for the barrage project, based on negotiations with landowners, developers and investors. The extensive consultations and discussions already undertaken have provided clear evidence that there is genuine interest from the private sector in putting together a financial package which would involve, directly or indirectly, a substantial private sector contribution to the barrage.

The Rt Hon John MacGregor, OBE MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
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My announcement will therefore establish the concept of a barrage as part of a wider regeneration objective. The point at which the barrage concept is taken forward to project stage will be decided once the master plan for the development has been established and the UDC has engaged in real negotiation with private sector interests. At that point there will be choices to be made and project options to be considered and these of course will be subject to investment appraisal techniques and the special arrangements for approval of over £25 million projects. But we shall never reach that stage unless the commitment to the concept - as distinct from a specific barrage project - is made first.

As regards the establishment of the UDC I am grateful to Richard Luce for his letter of 17 November indicating that this proposal presents no difficulties from the point of view of NDPB policy. I am also grateful to Nicholas Ridley for his support.

I hope that you can now agree that the announcement should go ahead on 5 December in the terms of the attached draft already sent to your officials, subject to agreement on the precise wording. If this still causes you difficulty we shall have to resolve the matter in EA, as suggested in the letter of 19 November from the Prime Minister's office.

I am copying this to the Prime Minister, members of EA, John Wakeham, Richard Luce and Sir Robert Armstrong.

Lord Luce
Legal Officer

(approved by the Secretary of State
and signed in his absence)

Not
what I
said.

Work is also underway on the horribly named Peripheral Distributor Road (can I suggest that from now on we call it Cardiff Bay Drive?) which, when complete, will provide access into South Cardiff from the Valleys and from routes both to the east and the west. Only last week I was able to announce my approval for a start in 1987/88 on the crucial Bute Town Link section of this road which will provide a crossing of the River Taff and tie in to the proposed Central Link, work on which should start within a few weeks. What we are attempting to do in Cardiff is important not just for Cardiff but is of crucial significance for the transformation of the whole of South Wales.

I turn now to tell you about our plans for the capital city. There is one thing that distinguishes it from what is being attempted in some other parts of Britain. We are not attempting to reverse a continuing pattern of decline, we are building on success already achieved and a notable transformation of Cardiff over recent years. Everyone here

/...will be familiar

will be familiar with what has happened and seen the shopping area around the splendid St David's Hall become one of the best shopping centres in the country. To its south the new Holiday Inn forms the centrepiece of major redevelopment north of the railway which includes the skating rink and the library. That Holiday Inn development was made possible by one of the most successful of all this Government's initiatives in the field of urban renewal, the introduction of the Urban Development Grant scheme in 1982. Since that time grants of over 24 million in Wales have already triggered investment of over 140 million in around 50 projects. To the south of the railway another UDG grant made possible the redevelopment now being undertaken by Tarmac around the Bute East Dock which will do so much to re-establish the link between the modern shopping centre of the City and the old commercial heart around Mount Stuart Square in the docks. Our plan now is to capitalise on what has already been achieved and to launch a development around Cardiff Bay which our

/...consultants,

consultants, Jones Lang Wootton, have said could be "of international significance".

we have said

Let me describe what is proposed. First the construction of a barrage between Penarth and a spot close to the entrance to the Queen Alexandra Dock. This barrage, which incidentally has absolutely nothing to do with the scheme for constructing a tidal barrage across the Severn, would cover the tidal mud flats that exist at present with a lake that would extend up the Ely and Taff Rivers right into the City centre. An important distinguishing feature of the waterfront on this newly-created lake is that a large amount of it would be soft edged, not hard dockside, as is the case in most other recent city waterfront developments. The study undertaken by Jones Lang Wootton identifies an area not far short of 3,000 acres capable of development or refurbishment in South Cardiff with perhaps [600] acres of that immediately developable in an area close to the water's edge. During the consultation exercise that we have carried out a great many experienced people have

/...expressed excitement

expressed excitement about the kind of development that the construction of this lake would be likely to stimulate. A number of bold and creative ideas have already been put forward. *And there is genuine interest from the private sector in putting together a financial package which would include the bridge.* There are interesting parallels between Cardiff Bay, which is what we propose to call it, and the inner harbour of Baltimore which is now one of the most attractive and successful waterside developments anywhere in the world: the area around which development could take place is comparable in scale, and the Inner Harbour area is almost exactly the same size as the Roath Basin at Cardiff. There are many lessons to be learned from the American experience. Perhaps the most important is the need to create a critical mass of related developments which can support each other and draw in sufficient numbers, both from the immediate area and from outside, to sustain a project on the scale that we are proposing.

In Baltimore the remarkable aquarium which attracts 1.2 million visitors a year, a Hyatt Regency Hotel and convention

/...centre with a

centre with a festival, shopping and restaurant complex developed by the Rouse company forms part of the essential critical mass superbly sited around the water. In Cardiff the new headquarters of the South Glamorgan County Council is already under construction. The Roath Basin area would provide a superb location for an aquarium, a hotel, and what I shall call Rouse-type development. The Industrial and Maritime Museum is already there and there are plans for its extension. Close-by there are dry docks which could be converted to make that Maritime Museum a major feature. At a later stage, as I have indicated, it may be possible to build a Centre For The Performing Arts.

Elsewhere around the wide sweep of the Bay developments of a different kind might be more suitable. Already at Penarth, Crest-Nicholson are building their marina.

Another lesson from America is the need to close the gap that exists between the existing heart of the City and the

/...waterside area.

waterside area. Already much is happening around Mount Stuart Square. It is becoming, for example, a centre not just for commerce but for television.

Tarmac's scheme and the South Glamorgan Headquarters have begun the process of closing that gap, and new road links are to be constructed. Further consideration is already being given to transportation requirements, which could include a light transit system. Other ideas are that part of the Commonwealth Games' sports complex could be sited in the area south of the central railway station and there could be a new southern entrance to the station providing space for access which is not available at present. Close attention is being given by the County Council to the design of the distributor road so that it does not create a barrier and provides good access to adequate car parking.

The Welsh Office and Jones Lang Wootton have been carrying out an immensely thorough consultation exercise with both the

/...public and private

public and private sectors. I, and my advisers, have visited a number of cities in the United States and sought advice both there and in this country. Those consultations have been extremely valuable. They have revealed not only that there is great enthusiasm for the project; but also exposed the need for firm and consistent control, a clear plan, careful zoning and protection of the key sites, particularly a waterside walk. Some will no doubt argue that there must be complete freedom for landowners and developers to build what they want with all the energy and speed that can be mustered. No-one, I think, can argue that I have not driven forward this project with considerable energy and at a great pace; but I note the strength of the advice, particularly from the United States, about the need for effective control. Those responsible in Baltimore believe that it has been a vital feature of their own success.

The consultation also has enabled us to proceed, stage by stage, with the agreement and enthusiastic support of the

/...principal local

principal local authorities. The City, the County and the Vale have been informed step by step of our thinking and have indicated their support for our proposals. That is very important and is a situation quite different from that experienced in the London Docks and in other places where Government has had to impose an organisation on unwilling local authorities.

Against that background I can now announce the Government's decision, with the support of local government, to set up an Urban Development Corporation under the powers of the local Government Planning and Land Act 1980. The UDC will be known as the Cardiff Bay Development Corporation. It will be a small organisation with a highly qualified and dynamic team. Jones Lang Wootton's report spoke of the need for "superb leadership". There will be no large bureaucracy; but it will use facilities made available to it by the local authorities on an agency basis; it will work with Government agencies such as LAW and the WDA and it will employ outside consultants where appropriate.

/...We intend to

We intend to work on the basis of the more restricted range of planning powers provided for in the 1980 Act, that is to say that the local authorities will retain their normal planning function, but the Corporation will be able to submit plans to me which when approved will not only provide the necessary guidance for developers but will remove the need for separate planning consents for proposals in those plans. The Corporation will also be able to ensure that development which might conflict with their overall objectives is not approved by the local planning authority without reference to me. Only if these powers prove ineffective would we consider taking the wider planning powers provided for in the Act and which apply in London Docks and Merseyside whereby the Corporation would become the sole local planning authority. Because our local authorities are in agreement with the Welsh Office on the objectives for Cardiff Bay I do not believe that this will ever be necessary.

The Corporation will have five Directors representing the three local authorities and eight others, including the

/...Chairman, appointed

Chairman, appointed by the Secretary of State. I hope to be able to make an early announcement of the Chairman and some of the first Board members. The Corporation will have the limited, specific, but highly important, task of seeing that the development potential of the area is realised. Once their task is complete it will relinquish its responsibilities to the local authorities who will continue to exercise all their other normal functions in the area. I want to emphasise that nobody is aiming to create a second and competing City but rather to exploit the full potential of Cardiff's magnificent situation by the sea for the benefit not just of the City but the industrial valleys and the whole of Wales. I shall be seeking to find as Directors people with the drive and vision that is required, together with the financial and property skills needed to make this a project the importance of which is recognised far beyond Wales and which attracts proposals and investment from Britain and overseas.

/...Though it

Though it must be right to seek this very wide backing, I am equally confident that a very major and critical contribution will be made by landowners and developers from within the area. Associated British Ports are particularly well placed to ensure that what is done unleashes the potential that has been identified. Clearly the company has the greatest possible interest in seeing that that happens.

The American experience indicates that the Corporation must be prepared, when necessary, to use powers of compulsory purchase to assemble land. In Baltimore this is taken for granted and enables developments to take place that are larger and more comprehensive than would otherwise be possible and in a way that rewards both the public sector for its investment and the landowners involved through participation in the enlarged developments that this approach makes possible. There will be the need for the closest co-operation between the Corporation, the landowners and developers.

/...To put the

To put the Corporation in place will take time (it requires a Parliamentary Order) and our target start date is 1 April 1987; but to avoid delay in getting the process of consultation underway I will be inviting local authorities, prospective Board members and others involved, including representatives of local business, to form an ad hoc committee to prepare a mission statement and to set in motion the preparation of the development strategy and zoning proposals, so that much of the preparatory work can be completed by the time that the Corporation takes up its formal duties.

Once it does so its immediate task will be to work out development plans with the private sector. Stimulate private investment in the whole project including the bridge.

I will also be asking local business men and women to form a Cardiff Bay Business Committee to act as a forum for consultation and for the involvement of the local business community. We will also be holding exhibitions and consultative meetings with those who live in the area.

The Corporation's responsibilities will cover a large part of Cardiff to the south of the railway and a part of Penarth as

/...shown on this

shown on this plan. The proposed boundaries take account of the comments and views of all three local authorities.

An Act of Parliament will be required before a barrage can be constructed. I have taken careful note of the objections that have been raised by those concerned with bird life on the mud flats and have had a study carried out by the Institute of Terrestrial Ecology. We are examining a number of ways in which the loss of feeding grounds might be minimised; but I am certain, on the basis of very widespread consultation, that the barrage is essential if this project is to proceed; and I believe that the benefits that it will bring to Cardiff and to the wider area of South Wales are so vast that it is right to seek Parliamentary approval: ^{if it is obtained} I would expect work on the construction of the barrage to start around the middle of 1988 and take about three years to complete.

In the meantime,

but once the Corporation's discussions with the private sector on development funding

In the meantime, there is much to be done. I take immense encouragement from the very positive and helpful advice that we have received from so many experienced people. I am encouraged, too, by the expressions of interest that have come from the United States where they have much experience of developments of this kind; but, above all, I take encouragement that this project has brought together the various local authorities and the political parties in a manner that is likely to give great confidence to those who wish to join in this bold and ambitious venture. Our advisers tell us that "this is a rare opportunity to develop a superb environmental setting which will have few, if any, competitors in Great Britain". Surely nothing less should be the objective for our capital city.

REGIONAL POLICY Inner Cities PT8

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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales
Welsh Office
Gwydyr House
Whitehall
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SW1A 2ER

NF 3/27

26 November 1986

Dear Neil,

SOUTH CARDIFF URBAN RENEWAL

at Nap

Thank you for your letter of 24 November.

Let me make clear at the outset that I am not opposed in principle to the establishment of the UDC or to your imaginative proposals for South Cardiff. But as matters stand, we do not have firm and tested assumptions about construction costs of the barrage and possible overruns, and the assessment of the benefits appears speculative. I understand you have not as yet employed financial consultants to evaluate the risks of the project both in terms of costs and of receipts which might in part finance them.

I accept and welcome the fact that you do not rule out private finance for the barrage. But given the lack of any agreement on that and the absence of firm costings, it would be most unwise to suggest either explicitly or implicitly that the Government is committed to the construction of the barrage unless you are prepared to insist that it is financed wholly from private sources. Such a commitment would pre-empt any judgement of the financial issues and would prejudice our negotiating position in seeking to attract private finance. Even a statement of general backing for the concept, unless couched in guarded terms, would risk building up a political head of steam behind the project which would be very difficult to reverse were the subsequent appraisal to demonstrate that the proposal was going to be much more expensive than presently thought or represented poor value for money.

I do, however, recognise the importance that you attach to maintaining the momentum behind South Cardiff redevelopment generally and your desire to announce significant progress in your speech next week. Because of this I would be prepared to agree to the announcement now of a UDC provided it was made clear

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that its task in relation to the barrage would be to assess the proposal further without commitment of any kind. This would represent a significant advance on the present position and would enable the private sector to come forward with detailed proposals for evaluation. You could then still express support for the concept of a barrage by making clear that the Government would look favourably on proposals which included full private financing of the project.

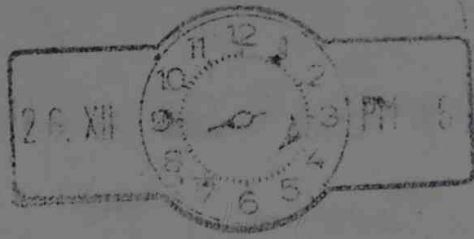
Perhaps, before the E(A) discussion, we might consider further the terms in which an announcement along these lines might be couched. The references to the barrage would need to be much less prominent than in the draft speech attached to your letter of 24 November. The legislative issues which Willie Whitelaw raises in this letter to you of 24 November also need to be considered before the discussion. Following your announcement of the UDC, I would certainly be prepared to ask my officials to work up urgently with yours and with an embryo UDC investment appraisals of private development proposals with a view to taking a decision on the barrage over the next few months.

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

John MacGregor
JM

JOHN MacGREGOR

REGIONAL POLICE Inner Cities PT8



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Oddi wrth Ysgrifennydd Gwladol Cymru

The Rt Hon Nicholas Edwards MP

From The Secretary of State for Wales

26 November 1986

CONFIDENTIAL

NBPN at this stage.

Dear Chief Secretary
with DRN?

Thank you for your letter of 25 November. I am grateful for your agreement to the announcement of the UDC.

I am glad too that you are not opposed in principle to my "imaginative proposals for South Cardiff". However, I do not believe that it is feasible to make an announcement "without commitment of any kind" to the barrage or simply to "express support for the concept of a barrage" only on the basis of "full private financing of the project". I can hardly fail to express support for a proposal I personally have carried forward publicly and that has been the subject of detailed and prolonged consultation with a very broad and expert cross-section of the property and financial world on both sides of the Atlantic, as well as with local government in South Wales. As a result of these consultations I have no doubt whatsoever that the barrage proposal is fundamental to the successful development of South Cardiff. Without a clear statement to this effect we will blow the whole project out of the ground. I believe I have been able to create a major opportunity and it would be tragic if we now have to throw it away. I am very happy to leave open the method of financing, which has been one of the principal subjects about which we have been consulting. Nobody could be more eager than I to get the maximum private sector funding of the essential infrastructure, of which the barrage is but one necessary element. I am very happy to include in my speech some sentences about our further exploration of the possibilities. However, one outcome of these further explorations may be that Government funding of the barrage will be the best way of achieving the lowest possible public sector funding of the other infrastructure and the lowest total Government

/expenditure. It is ...

The Rt Hon John MacGregor OBE MP
Chief Secretary
HM Treasury
Parliament Street
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expenditure. It is, however, only if we make the commitment to the concept that it is possible to go forward to seek bids and proposals from potential developers. Of course I am only too willing to consider drafting amendments before E(A); I see no difficulty about inserting the necessary qualifications with regard to legislation. What I fear is impossible is to proceed successfully without a clear statement that it is our firm aim to see a barrage constructed. One of the first tasks of the new UDC will be to carry out detailed financial and engineering appraisals with a view to obtaining the maximum private funding for the infrastructure that will be required in South Cardiff, including the barrage, taking full account of Government experience elsewhere, eg in respect of the Dartford Crossing.

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

Yours sincerely
R. C. Williams

Approved by the Secretary of State
and signed in his absence

