

CCB/UP  
CCB/39

PRIME MINISTER

South Cardiff Urban Renewal  
(E(A)(86) 57 and 58)

## DECISIONS

1. The main issue is the terms in which the Secretary of State for Wales announces the possibility of constructing a barrage across Cardiff bay.

2. Given the late circulation of papers (despite the earlier exchanges of correspondence) it would have been better to postpone discussion until later next week. But the Welsh Office have represented strongly that decisions must be made on Monday. if the Secretary of State's proposed announcement on 5 December is to be properly prepared. We have therefore reluctantly accepted that the meeting should proceed on Monday morning.

## BACKGROUND

3. The Welsh Office now have the results of a feasibility study for the redevelopment of South Cardiff. These have indicated that there is substantial potential for private sector development, and a number of potential developers are interested. A key part of the development would be a barrage across the river Taff to turn tidal salt flats into a fresh water lake which will provide an attractive heart to the development.

4. The Welsh Secretary wishes to announce on Friday 5 December that the Government has decided to establish a UDC to carry forward the development of the area in conjunction with the local authorities and other agencies. The Chief Secretary, Treasury and the Minister of State, Privy Council Office do not object to the UDC itself. The Secretary of State wants also, however, to

CONFIDENTIAL

~~the UDC itself. The Secretary of State wants also, however, to~~  
go further and announce his firm support for the construction of  
the barrage, which he regards as essential to the success of the  
UDC. This is not acceptable to the Treasury.

Case for the Barrage

5. The Chief Secretary quite rightly argues that since the  
barrage is a major capital project, and could involve a large and  
open-ended public expenditure liability there should be no  
Government commitment until a full analysis of alternative  
options and of the costs and benefits has been carried out. He  
would, however, be content for the Government to indicate that it  
will proceed, provided that its costs are met in full from  
private sources. The case would then be tested by the markets.

6. The Welsh Secretary on the other hand regards it as vital to  
give a very positive steer in his announcement. The feasibility  
study has been underway for the last 12 months, and he believes  
that there must be a public commitment to the concept if his  
announcement is to be regarded as progress. The fact is also  
that he now regards himself as fully committed personally to the  
barrage. He is, however, content to make it clear that he will  
be looking for private sector involvement in the whole develop-  
ment, including the barrage.

7. Essentially, what is now required is a form of words which is  
sufficient to give the project momentum and create the necessary  
conditions of confidence while not prejudicing unduly the  
Treasury's position. The Chief Secretary has circulated an  
alternative draft, with two variations, but this has not bridged  
the gap. The precise wording will have to be settled by the two  
Departments concerned outside the meeting, but you will want the  
Committee to give them a clear steer. If you should wish to take  
the matter further in detail at the meeting, the attached formula  
might be worth trying. It is more positive than the Chief  
Secretary's alternative, but would still avoid any specific

commitment to public expenditure.

Other Issues

8. Two other issues have emerged in correspondence. First, the development might fall foul of the European Community Directive on Wild Birds, which seeks to limit development in areas of special significance for rare birds. This seems likely to impose quite stringent conditions for development in the areas concerned. The Taff estuary is a strong candidate for designation. This is an important environmental issue and it is important that the Welsh Office are sensitive to this point, and that there should be proper coordination with the Officials of DOE and the Law Officers, who are about to advise on the implications of the directive for UK planning law.

9. Second, legislation will be required to authorise the construction of the barrage. The Welsh Office must consult closely with the Business Managers over the timetable and Parliamentary implications of this. Mr Edwards is seized of this point, but the Business Managers may wish to register it at the meeting. (The Lord President is attending because of this aspect.) It is possible that a local Bill promoted by Cardiff City Council may prove simpler than a hybrid Bill for which the Government would be responsible.

HANDLING

10. You will wish to invite the Welsh Secretary to introduce the discussion, and the Chief Secretary, Treasury to respond. The Secretary of State for the Environment and the Lord President of the Council will wish to speak on their particular interests.



J B UNWIN

Cabinet Office  
28 November 1986



Suggested Alternative formula

The Secretary of State has made clear that he supports the concept of the barrage. Precise arrangements for its construction and financing will fall to be settled alongside those for other aspects of the Corporation's development plan, once the necessary studies have been undertaken and the role of the private sector has been determined.