

PRIME MINISTER

CARDIFF BARRAGE

Mr. Edwards and the Treasury are now I think quite close to agreement.

Mr. Edwards' case for making any kind of commitment this week is extremely weak on its merits, though he has clearly got himself way out on a limb from which he will find it well nigh impossible to retreat. The barrage is apparently known in Wales as "Edwards' barrage".

Mr. Edwards argues that the scheme has been thoroughly discussed. It is true that two large reports have been produced. But they are thin and superficial:

- (i) the report by the Consulting Engineers says: 'the studies carried out for the purpose of this report have been entirely desk studies based on information already available, and the conclusions and estimate of cost can only be regarded as tentative'. The discussion of the cost runs to just over one side of paper. There is no analysis of risks or uncertainties;
- (ii) the report by Jones Lang Wootton, the company which analysed the projects's development potential, describes its own figures as 'simplistic' and says: "we are required to 'fast track' the study and to reach conclusions and judgments within a period of four months. It was therefore accepted that much of the analysis would, of necessity be fairly superficial and that our conclusions would be preliminary".

Other uncertainties have emerged in the last few days during Ministerial correspondence:

- (iii) the Solicitor-General has advised that we need to be sure that we would not be in breach of our legal obligations under the Community Directive on the Conservation of Wildlife and Birds;
- (iv) the business managers are doubtful about the legislative implications;
- (v) John Moore has pointed to uncertainties about the size and cost of a lock which will be needed in the barrage, to similar uncertainties about a new bridge, and to additional dredging costs 'which could be extensive'.

We are in danger here of another public sector folly. The barrage is technically the most difficult part of the project and it is not easy to see how the private sector could be persuaded to take the risks with the rewards. Unlike Dartford or the Channel Tunnel there are no tolls which could reward the private sector for building the barrage. And it is not clear on what basis developers of land around the lake would be induced to provide finance for it. They would in any case know that Mr. Edwards is firmly committed to the project: if they hold back they can be sure Mr. Edwards will feel obliged to provide the money.

Mr. Edwards' enthusiasm will ensure that that will be the case. If E(A) agrees to the "concept" of a barrage (I am not clear what the difference is between agreeing a "concept" and agreeing a "project") he plans a great media event on Friday next week, with interviews, lavish briefing packs and the full media treatment. The Government will be on the hook.

The words used by Mr. Edwards in his speech and in interviews afterwards are therefore most important.

The latest position is set out in the note by the Treasury, attached. Mr. Edwards would be prepared to accept the passage in quotes in paragraph 3. The manuscript amendments are changes which Robin Butler has recommended to the Chief Secretary. The paragraph as amended is, I think, acceptable. However, Mr. Edwards should also agree the remainder of this part of his speech with the Treasury: there should be no difficulty on that.

Julie Bowers
Duty Clerk

pp DAVID NORGROVE

We must not be

committed - the scheme just

hasn't been worked out enough and

28 November 1986

I fear a ~~elaborate~~ expensive
presentation will be seen to be premature

SLHACK

mt



SOUTH CARDIFF: DRAFT SPEECH

making *up*

"On the basis of the engineering studies, present cost estimates and the advice so far received, we believe that the barrage concept is right and is capable of creating a major development opportunity. The first task of the UDC will, therefore, be to take the project forward by carrying out further technical work and financial appraisals to examine the options for obtaining the greatest possible contribution by the private sector to the costs of the necessary infrastructure in South Cardiff, including the barrage. Given a successful outcome to these studies it will be necessary to seek Parliamentary approval. The earliest date at which a Bill could be introduced would be 1988 and construction of a barrage is expected to take about three years so that it might be possible to have the barrage in place early in the 1990s."

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FROM: M C BETENSON
DATE: 28 November 1986

- 1. MR HAWTIN
- 2. MR F E R BUTLER
- 3. CHIEF SECRETARY

I believe that you would accept a formula on the lines in para 3 with the amendments I have indicated.

- cc
- Chancellor
 - Financial Secretary
 - Economic Secretary
 - Minister of State
 - Sir P Middleton
 - Mr Anson
 - Miss Peirson
 - Mr Instone
 - Mr Norton
 - Mrs Holmans
 - Mr Legg
 - Mr Cropper
 - Mr Ross Goobey
 - Mr Tyrie

Copies of the relevant pages from the technical survey and the Jones Lang Wootton report are attached to the brief.

FERB

28.11.

SOUTH CARDIFF URBAN RENEWAL

I attach a briefing note for the E(A) meeting on 1 December which will be taking papers from yourself and Mr Edwards.

2. The briefing suggests the fallback, not floated in your paper, of allowing Mr Edwards to make an initial commitment to a Cardiff barrage providing he makes clear that he reserves the right of the Government to reconsider the commitment should further feasibility studies prove unfavourable or should private finance not be forthcoming. This fallback should only be offered if Mr Edwards has clearly won the main argument.

This is a last-ditch fallback and should not be necessary if the Welsh Office were already offering the words in para 3.

3. We understand that No.10 have been exploring possible compromises with the Welsh and that the Welsh Office have offered the following form of words for an announcement:

So far undertaken
 "On the basis of the engineering studies, present cost estimates and the advice so far received we believe that the barrage concept is *very promising* [right] and is capable of creating a major development opportunity. The first task of the UDC will be to take the project forward by carrying out the *necessary* further technical work and financial appraisals and to examine the options

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for obtaining the greatest possible contribution by the private sector to the costs of the necessary infrastructure in South Cardiff, including the barrage. *If the outcome of those further studies confirms that a barrage should be built*
If a barrage is to be built, a Bill will be introduced....".

PS/Mr Edwards thinks that they would also accept a caveat to the effect that, "Given a successful outcome to these further studies a Bill would...." or words to that effect.

I suggest working in this thought in the formula above: we want to keep the idea of "If a barrage is to be built" ...

4. This form of words represents an advance but would not sufficiently safeguard your position. However, should Mr Edwards float it at the meeting and colleagues appear willing to accept you could seek to obtain their agreement to some further exchanges between Welsh Office and Treasury officials on precise wording.

Mark Betenson

M C BETENSON