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PRIME MINISTER

28 November 1986

SOUTH CARDIFF URBAN RENEWAL

The proposal for a UDC in Cardiff was raised at your meeting on 21st July when you said Wales should not receive any more money and Mark Robinson stated that the money for the UDC would be found from their own resources. We put in a small brief to you on 7 November (Appendix 1). Now:

1. Nicholas Edwards is enthusiastic to announce a UDC on 5 December. He does not commit the Government directly to fund the Cardiff barrage but it is unclear how it will be funded. Welsh Office officials say the barrage project would cost about £50 million and a substantial (but unquantified) part could be privately funded. The UDC would cost an additional £50 million.
2. John MacGregor complains that Wales has not provided sufficient details nor argued its case about private funding adequately. Discussion this week between Departments identifies the nub of the remaining problem, namely: if Nicholas Edwards commits the Government too strongly, private funds may not be forthcoming to fund the barrage.
3. John Biffen and Patrick Mayhew warn that conservationists may complain. But the Green Lobby should on balance be pleased by this proposal. Moreover some allowance can be

made for birds say the Welsh Office. This should satisfy European obligations under the Directive on Wild Birds.

4. Nicholas Ridley and Paul Channon support the proposal.
5. The Lord President and John Biffen are worried about the mechanics of legislation, but this can be overcome.
6. Richard Luce supports the proposal for another Quango but asks if anything else could do the job better. The contenders are the Welsh Development Authority and the Local Authorities. In the case of the former: the Cardiff Docks scheme is too big for it. In the case of the second all three local authorities want a UDC.

Private Funding

The Welsh Office do not think commercially. However, under cross examination, their experts say that the barrage could be widened for £4½ million to provide 30 acres of commercial saleable land on the top worth in excess of £8 million. A lease could be sold for a light railway. No-one has any idea what this could be worth, probably not more than a few million. In addition, the UDC could acquire about 200 acres of dockland for about £30,000 per acre and sell it for £250,000 an acre, yielding £50-60 million. They stress these figures are highly conjectural. We need assurance that private sector funding is forthcoming but unless something is announced nothing can be sought! We are profoundly doubtful that private money will be forthcoming.

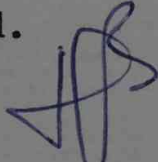
But do we
already
own the
land?

Conclusion

This is an unusual application for a UDC. There is no failure by a local authority. Instead South Glamorgan Council, Cardiff City Council, and the Vale of Glamorgan Council feel their powers are inadequate! The new corporation would also bring together the Welsh Water Authority and the British Ports Authority.

The strength of the case in principle was demonstrated to us on a recent visit and appears in Nicholas Edwards' draft statement. The financial details needed by Treasury must be forthcoming even if Wales keeps to its word to fund the project from its own resources. However, private sector commitment cannot be ascertained until an announcement is made. We recommend that you consent to a UDC in Cardiff, on condition

- (1) That the projected costs are much more clearly identified.
- (2) That the UDC is 80% funded privately.
- (3) That the remaining 20% is found from the existing Welsh budget and that the actual source of this money is found.


HARTLEY BOOTH