



PRIME MINISTER

URBAN DEVELOPMENT CORPORATIONS

The Sub-Committee on Economic Affairs met today to continue discussions of the proposals from the Secretary of State for the Environment for establishing Urban Development Corporations to assist in the regeneration of London Docklands and Merseyside.

The Secretary of State for the Environment argued that the problems of these areas are not only very serious but cannot be solved using the existing institutional framework. In London the Docklands Joint Committee (DJC) involves representatives of 5 Boroughs, all Labour-dominated, and unwilling to consider changes which would alter the historical pattern of employment and type of housing in the area. The Chairman of the DJC has himself admitted that it cannot make effective progress. There are suggestions of possible enthusiastic private investment in this area, but this is most unlikely to be forthcoming under present institutional arrangements. In Merseyside the political position is largely deadlocked, and again no effective action is being taken. Clearly we should, if we can, remove institutional obstacles of this kind.

The Secretary of State for the Environment's proposal therefore is to create two new bodies on the lines of the New Town Development Corporations whose aim would be to bring about the regeneration of the designated areas and to create thriving urban communities within

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them. The attractions are self-evident; an 8½ square mile site in the centre of a capital city ought to represent a major opportunity. They would be given powers, functions and finance appropriate to these aims though the exact extent of their powers, and their inter-relationship with the existing local authorities, would be for settlement later. A legislative vehicle for giving effect to these proposals exists in the Local Government Planning and Land Bill due to be introduced to the House shortly after the recess. Unfortunately, to include powers related solely to London and Liverpool would render the Bill hybrid so that it would be necessary for the powers to be expressed in general terms and available for use in any part of England and Wales. The Scottish Office have asked that, because of the potential applicability of these ideas to Clydeside, the powers should extend to Scotland too. The Secretary of State for the Environment does not resist this though his intention would be to make it clear, from the outset, that the Government intended to set up UDCs in London and Merseyside only.

The Sub-Committee clearly had a lot of sympathy with what the Secretary of State for the Environment is trying to do. On the other hand, serious doubts were expressed, not least on the financial side. To summarise:-

- a) there were doubts whether investment in the derelict dockland of Merseyside - and to a lesser extent London - would bring returns commensurate with the cost;
- b) there were doubts whether the problems of the docklands

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could be satisfactorily separated from those of the surrounding conurbations;

- c) there was the question whether, in a period when we are actively reducing the number of quangos, it would be presentationally acceptable to set up two new ones - although one of them would replace an existing body;
- d) but most important, there were doubts about the uncertain financial implications of the proposals. The costs are in one sense immeasurable in advance of final decisions on what precisely the corporations would do - not least because a good deal of their work would be taking over tasks which would otherwise be performed by other authorities. The best estimate which officials can make is that the two corporations might involve a total expenditure of between £80 and £100 million per annum from 1983 onwards of which perhaps £25 or £30 million would be additional to what might otherwise be spent. The Secretary of State for the Environment expressed a very clear determination to find these additional sums from within his own allocation even though the extent of that allocation will not be known until Cabinet has taken its public expenditure decisions over the next 6 weeks or so. The Sub-Committee recognised, however, that the existence of general powers and their deliberate extension to Scotland, could well give rise to pressure from other areas for similar arrangements and thus for higher expenditures generally. The Financial Secretary to the Treasury, who represented the Chief Secretary at our meeting, felt unable to commit the Chief Secretary or the Chancellor to the expenditures involved and reserved their position.



The Secretary of State for the Environment naturally accepted this reservation and its possible consequences for the statement on inner city policy which he intends to make on Monday next (this statement covers many matters besides the Urban Development Corporations and its text is being cleared separately by correspondence under the aegis of the Ministerial Committee on Home Affairs). He is nevertheless anxious that the financial question should be cleared quickly and asked for and was given, permission to begin drafting the necessary clauses of his Bill on a purely contingent basis. Such drafting will of course, also involve a number of subsidiary points and these too will hopefully be cleared in correspondence between colleagues.

The only way in which the Secretary of State for the Environment could get financial authority for his proposals in time for a foreshadowing announcement next Monday would be if you were prepared to discuss the matter with him, (the Chancellor of the Exchequer and possibly myself) so as to resolve the matter ex-committee. I promised to suggest this course to you (though I have since learned that your absence from London makes such a meeting impossible before next week). Failing such a meeting, I can see no alternative but to bring the matter either to the Ministerial Committee on Economic Strategy (presumably at its meeting on 20 September) or to the Cabinet in the course of the public expenditure discussions.

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In addition to copying this minute to colleagues on E(EA) I am also copying it to members of H and to Sir John Hunt.

KJ

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