

PRIME MINISTER

① Enterprise zones
② Power - each core -
Not to have housing
power.
Small group
first proposed change
1.
M

Urban Development Corporations

As you know, Ministers have been working on the proposal to establish Urban Development Corporations, initially for Merseyside and London Dockland.

Mr. Heseltine was due to make a statement on inner city policy on Monday 10 September. This is attached at Flag A. Paragraphs 9 and 10 deal with the Urban Development Corporation proposals.

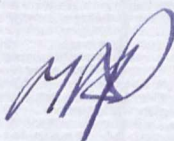
When this was discussed in E(EA), Ministers found that there were a number of unresolved issues. The two which may most concern you are the public expenditure implications and the Quango implications. On public expenditure, I understand that the Chancellor is still uneasy about the scale of financial commitment which will be necessary to create the two UDCs. Mr. Heseltine apparently feels that he can accommodate this within projected figures for Environment, but the Chancellor thinks that this may make tight control on expenditure for Environment much more difficult in the coming years. The Quango point is of lesser significance, but Sir Leo Pliatzky is a little concerned that the announcement of these two new Quangos will not be helpful just as his work is getting under way.

If received in time for the box, I will include at Flag B Sir Keith Joseph's report of the E(EA) discussion, at Flag C a letter relating the Chancellor's comments, and at Flag D Sir Leo Pliatzky's comments, *and supporting comments from Sir Ian Bancroft.*

I think the Chancellor will be prepared to accept an announcement on UDCs shortly provided all concerned are aware of the implications. But given the doubts which arose in E(EA),

/further

further Ministerial discussion would be appropriate. This could be at E Committee on 20 September, but it might be best in a smaller group. Would you be prepared to discuss it with Mr. Heseltine, Sir Keith Joseph and the Chancellor at 1100 on Tuesday? Mr. Heseltine has decided to hold up his inner city policy statement for a few days in the hope that there can be agreement to include something on UDCs.



7 September 1979