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PRIME MINISTER

URBAN DEVELOPMENT CORPORATIONS (UDCs) AND INNER URBAN AREA POLICY

I am grateful to you for agreeing so quickly to a meeting to discuss these. You already have a report from Keith Joseph on the outcome of E(EA); a copy of Geoffrey Howe's letter to me of 7 September; and you have seen a copy of my proposed statement. I thought it might be helpful if I briefly set out my position on UDCs before your meeting.

Some of our major cities face massive problems of urban dereliction. In two of them the existing institutional framework has proved inadequate to cope with the task.

London Docklands comprises some 6000 acres of largely derelict land close to the heart of the City. Much of the unutilised land is owned by local authorities and nationalised industries. In an attempt to deal with the problem, the Docklands Joint Committee (with representatives from five Labour London Boroughs and the GLC) was set up under Sir Hugh Wilson. He now tells me however, that the tensions between the Boroughs and between them and the GLC is such that progress is not possible. The situation would get worse if the GLC changed political hands next year. Docklands affords a real opportunity which some parts of the private sector have described as the most exciting in Europe. They would certainly be willing to play an active role there, but are inhibited by the lack of drive and the prejudices of the existing bodies.

Sir Horace Cutler has told me that he believes that the present ineffective body should be replaced by an organisation with powers commensurate with the task.

In Liverpool the city has lacked effective leadership for some time as a result of political stalemate, and is at loggerheads with the county - which itself could revert to Labour. The opportunities in Merseyside docks are less immediately obvious than in London - but my own view is that it would not be politically or economically right to allow the present drift to continue.

What I propose therefore is to set up UDCs, with powers to act inside inner areas analagous to those achieved by New Town Corporations in the field of land assembly, servicing and planning. Provision of adequate communications - to which Norman Fowler attaches great importance - would be a major function. This would enable them to press ahead with the task, and engage the private sector effectively. The legislation (to avoid hybridity) would have to be in general terms - but I would make it clear that it would apply only to London Docklands and Liverpool. Only powers essential for a specific area would be deployed when the particular UDC was set up by Order.

Colleagues generally are enthusiastic about this proposal and Geoffrey Howe has suggested contingent drafting approval. They have, however



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two main worries to which he refers.

First, there is concern over the setting up of a new quango. I think this must be set in context: as you know, I have already reduced DOE quangos from 119 to 57 and have further work in hand. In this case I am considering the establishment of two bodies, and in the case of London it would be replacing an existing body, the DJC. I have no doubt that the creation of single-minded and effective UDCs would command real support from the private sector - this puts them on a quite different plane from most quangos.

Secondly, the Chancellor is concerned about UDCs and public expenditure. To a large extent UDCs would only be using - and to better effect - resources which will otherwise be spent by the existing authorities and, it can only be assumed, to the lack of effect that has characterised the last ten years. The choice is between allowing existing institutions to waste resources and miss opportunities: or to grasp the nettle and set up UDCs which have a chance of doing the job, and which can bring in private sector investment on an increasingly large scale. The decision to proceed with the establishment of UDCs in no way pre-empts future detailed decisions on public expenditure: UDCs would not begin to spend until 1981/2 and later years, and we can allocate resources to them which will determine the pace of their activity. With the substantial economies that we are making in DOE programmes it is all the more vital that we ensure that such sums as remain are spent with maximum effect and I believe that UDCs which we create and whose boards we appoint have much better chance of achieving this than the existing warring local authorities. I simply don't see the private sector responding to the potential opportunities without a new and more sympathetic climate.

If we are to get the legislation through in time, I need to take powers in my forthcoming Local Government legislation. And if I am to prepare the way properly I should like to announce the decision on UDCs as part of my inner city package this week.

At our meeting tomorrow, I shall therefore be seeking your agreement to pressing ahead with drafting the legislation and announcing the policy intention on UDCs. This will enable me to keep to our timetable of introducing the Bill shortly after the return of Parliament.

I am copying this to Geoffrey Howe, Willie Whitelaw and to Keith Joseph.

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10 September 1979