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PRIME MINISTER

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 Prime Minister:

To write

Dr

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Channel Fixed Link

1. In his minute of 24 October Nicholas Ridley asked for comments on the line to take on the link when he meets the new French Transport Minister on 14 November.
2. I agree that the time has come to take a firm position on this subject.
3. I have always been profoundly sceptical about the possibility of such a large investment being carried through without the Government being drawn in financially at some stage. I am also very concerned about the potentially serious impact which a project of this scale would have on existing cross channel transport links - probably without generating any compensating economic or technological gains. Nevertheless, I accept that we have probably come too far down the road described by Nicholas Ridley to leave much room for a fundamental change in position: to do so would lead to accusations of bad faith both at home and from the French Government.
4. I therefore agree with you that if a viable package can be put forward without a requirement for taxpayers' money, we should be prepared to look carefully at it. I also believe that it will be essential to ensure that the promoters and the French Government are in no doubt of our unqualified firmness in refusing to offer any kind

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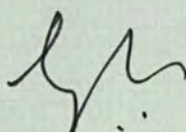


of Government guarantee now or in the future. Private investors may otherwise imagine that any "political" guarantee we might give could be converted into financial assistance one day. It will be important to leave no ambiguity whatsoever that a "political" guarantee would mean no more than a willingness to give planning permission and undertake essential infra-structure work associated with the project.

5. We will of course need to handle this issue so as to avoid as far as possible friction with the French Government. I am particularly concerned about the serious adverse impact on UK/French relations of any misunderstandings which may arise now or in the future. I think that a frank statement of our position would be the best course. We have taken an entirely consistent line since the 1981 UK/French Summit. This course would also leave no hostages to fortune. In the short run, we need to convince the French Government that our position on guarantees is serious and not intended merely to sabotage the project. If we can do this, it should help to ensure that the French accept private financing without guarantees as the only basis on which the project could go ahead, and that they are not in a position to blame us should the project eventually flounder for commercial reasons.

6. On this basis, I agree with the line which Nicholas Ridley proposes to take with M. Auroux.

7. I am copying this minute to other members of E(A), Nicholas Ridley, Michael Heseltine, David Young and to Sir Robert Armstrong.


(GEOFFREY HOWE)

ENERGY: Cross-Channel Electricity Link

June 80

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[Signature]

10 DOWNING STREET

From the Private Secretary

5 November 1984

Channel Fixed Link

The Prime Minister has noted the Foreign Secretary's minute of 2 November on this subject. The Prime Minister's views on this subject have already been conveyed in Tim Flesher's letter of 1 November to Henry Derwent.

C D Powell

Colin Budd Esq
Foreign and Commonwealth Office

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10 DOWNING STREET

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1 November 1984

From the Private Secretary

FIXED LINK ACROSS THE CHANNEL

The Prime Minister has seen your Secretary of State's minute of 24 October about a fixed link across the Channel. She has also seen a number of responses from Cabinet colleagues including one from the Chief Secretary of 31 October. The Prime Minister believes that the Government's position on the fixed Channel link is quite clear and correct: if a viable package can be put forward with no requirement for taxpayers' money the Government would welcome it and look carefully at it. She sees no reason at this stage to change the tone of public statement on the matter either to suggest that such a package is more or less likely.

I am sending a copy of this to the Private Secretaries to members of E(A), the Foreign Secretary, the Secretary of State for Defence, the Minister without Portfolio and Sir Robert Armstrong.

(Tim Flesher)

Henry Derwent, Esq.,
Department of Transport.

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