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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London SW1

29 January 1985

John Nick

CHANNEL FIXED LINK

I have been looking at how far forward the private consortia are towards a credible scheme to build and operate a fixed link across the Channel without government money or government guarantee. We are now defining government guidelines with the French, and will then consider with the French the bids we get in response. A realistic view of how much remains to be done is important as we are to be sure of getting the information we need for that choice. Officials are of course in touch on that, but I am impressed by the extent to which the promoters have still to go to satisfy our basic requirements.

Apart from the technical problems, including the safety of the link itself and of shipping, it will above all be important to be satisfied that we are dealing with an organisation capable

- (i) of raising the necessary funds,
- (ii) of building and operating the link, and
- (iii) of carrying the financial risks of failure.

All three are very demanding requirements. The EuroRoute project in particular will be subject to risk from stage to stage over a long period, and if it fails after beginning it will be more trouble to clear up.

We also have to get clear before proceeding what the different schemes would mean for our inland infrastructure. If they were to involve significant public expenditure in addition to what it will be right for the promoters themselves to fund, we should have to adjust priorities to accommodate this. But



a significant reordering in favour of the South East could add strong hostility from the regional lobbies to that which we shall in any case face from the environmental lobby.

We also need to be sure that the tariff policies of a fixed link will work in the public interest, not just in the short term but over a very long period during which it may come to be in a dominant position on the short routes. We need to consider carefully what is to be said from the outset about the Government's right to step in should that become necessary. This is too central for governments, the promoters and the public interest not to be taken head on and, although it may be complicated by the French position, we must consider it together very quickly.

We shall also have to pay particular attention to the vulnerability of a fixed link, both to industrial action and to terrorism. Any form of fixed link is bound to be an exceptionally attractive target. This is more serious to the extent that ferry services' share of the market is reduced on the short crossings, leaving our economy more vulnerable to interruption. The security measures needed to reduce this risk - and nothing can entirely remove it - may considerably reduce the public attractions of a link and prove costly.

In terms of the relative merits of the two main schemes, incidentally, the twin-tunnel scheme not only presents much lower risks - technical, financial, environmental and probably security - but also looks less unattractive to motorists than appears at first sight.

These major issues do not of course tell against the course we are set on. Rather, they underline the natural pressures on promoters to push on to governments financial and other risks that could prove very expensive. So we need to be very careful to set the rules of the game strictly at this stage. Otherwise the prospect of a soft option may lead to bids which include a degree of wishful thinking, rather than the hard-headedness that any successful venture will most certainly require.

I am copying this letter to the Prime Minister and Secretary of State for Foreign and Commonwealth Affairs.

NIGEL LAWSON

A handwritten signature in black ink, appearing to read 'Nigel Lawson', with a long horizontal line extending from the bottom right of the signature.



NBAN AT 6/2 CCNO.
DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

5 February 1985

Dear Nigel

CHANNEL FIXED LINK

I agree with virtually all you say in your letter to me of 29 January. I am glad to hear that you agree we are set on the right course. You will not expect me to advocate any soft option.

The Anglo/French group is making good progress. There is a remarkable degree of agreement. The French now appear to be as hard as we are on the "no government involvement" issue. They have even come round to the view that, if this project is to be judged on strictly commercial criteria, there is no place for European Community support or guarantees either.

However, there will be a few crunch issues and on these our officials on the Anglo/French Group will need early guidance at political level if they are to meet the target of a 28 February reporting date.

The next meeting of the Group will take place on Wednesday of this week. As soon as possible thereafter I will write to you and other colleagues, posing the immediate issues - I hope on the basis of a paper agreed by officials of Departments represented on the Group and others closely involved in its work.

I am copying this letter to the Prime Minister and the Secretary of State for Foreign and Commonwealth Affairs.

Yours sincerely
Nicholas

NICHOLAS RIDLEY

TRANSPORT : Channel Tunnel. Pt 2

6 FEB 1985

