



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon Nicholas Ridley MP  
Secretary of State for the Environment  
Department of the Environment  
2 Marsham Street  
LONDON  
SW1P 3EB

*Prime Minister*

*To note that a deal  
on Canary Wharf may need  
to be decided on during the  
course of an election  
campaign if there is a  
deal at all.*

6 MAY 1987

CANARY WHARF: DOCKLANDS LIGHT RAILWAY

*6/5.*

Thank you for your letters of 23 April and 1 May.

Following the Consortium's failure to conclude the Master Building Agreement (MBA) and the railway agreement by 30 April, LRT have managed, with some difficulty and at an extra cost of between £2m and £4.5m depending on the contractor chosen, to extend the tenders to 28 May. LRT are seeking an undertaking from the Consortium, which has not yet been given, that they will cover these additional costs.

I agree that we must keep maximum pressure on First Boston to strike a deal by 28 May. We will indeed run into severe difficulties if the railway agreement - and therefore the MBA and related agreements as well - are not concluded by then.

Colleagues should be under no illusion about the effects of further delay beyond 28 May on the railway agreement. There will certainly be further financial penalties which could be considerable if, as seems likely, LRT are unable to secure further extensions of the existing tenders and have to seek new ones. More fundamentally, failure to meet that date would mean that LRT would not be able to guarantee the 42-month timescale for completion of the railway which is the Consortium's central requirement.

If we cannot secure a deal by 28 May we face two problems. First, we will need to secure the Consortium's agreement to bear the financial consequences; second, we will need to secure their unconditional acceptance of a longer timescale

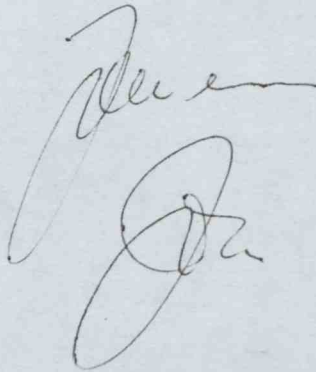
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for delivery of the railway. That clearly depends on our being able to attribute the cause of delay beyond 28 May unambiguously to the Consortium.

We must in consequence be prepared, if agreement can be reached by 28 May, to conclude and announce it even though this may be in the course of an Election. I believe that commercial considerations will in this case enable us to justify proceeding in that way.

In the worst case - that the Consortium walk away on or before 28 May - we may have to indicate how we propose to provide and finance the railway, if the Government is returned. To reduce the risk of litigation we shall need to say that a financial contribution to the extension will be secured from the development gains it will generate at Canary Wharf.

I am copying this letter to the Prime Minister, the Chief Secretary, other members of E(A) and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read 'John Moore', with a large, sweeping flourish extending upwards and to the left.

JOHN MOORE

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CC BG

2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

The Rt Hon John Moore MP  
Secretary of State  
Department of Transport  
2 Marsham Street  
LONDON  
SW1P 3EB

My ref:  
Your ref:

1 May 1987

NBRM

Dear John

CANARY WHARF

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When I wrote on 23 April, I promised a further report this week.

I understand that, following a meeting which my officials and you had with representatives of First Boston this week, it is clear that negotiations are showing signs of progress, but that we shall not be in a position to take a final view until later in the month. I understand that very severe difficulties would be caused if there were any question of further extending the timing of signature of the rail agreement beyond 28 May and I am sure that we should continue to keep the pressure on First Boston to strike a deal by that date.

However, I think that we will want to be in a position to decide how to handle this in the next 10 days or so. I therefore propose to make a full report to colleagues, on the substance of the deal as it then stands, and about the timing of any deadline, at that point.

In the meantime, I have authorised LDDC to extend the option agreement again for 7 days, and propose to do the same next week.

I am copying this to the Prime Minister, other members of E(A) and Sir Robert Armstrong.

NICHOLAS RIDLEY

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