Olympia & York
Canary Wharf Limited

R17/2

16th February 1988

CF

The Rt. Hon. Margaret Thatcher,
The Prime Minister,
10 Downing Street,
London,
SW1.

Dear Mrs. Thatcher

I would like to say how grateful I am for the opportunity you gave me last Monday to present our plans for Canary Wharf. Knowing the extent of your responsibilities as Prime Minister and the pressures on your time, I was particularly impressed by your detailed knowledge of the scheme and the relevant issues.

As you know, we are extremely confident about the growth of the U.K.'s economy and that of London, and therefore about the future of Canary Wharf. Your endorsement of that confidence in London's third business district will enhance its credibility and viability immensely. I greatly appreciate your agreeing to come to a lunch event, at which we will discuss our concept in detail with business and industry leaders for the first time.

Phase One of the project consists of the seven buildings marked in yellow on the attached schedule aggregating six million square feet. Our enthusiasm for the new business district is such that we are contemplating accelerating the development to include all the buildings around West Ferry Circus as outlined in pink [some 3 million square feet of space]. That would connect the first phase to the river and to the main entry point, West Ferry Circus. The total value of those two phases would exceed two billion pounds.

The success of any major development will depend on proper access being available when the buildings open, i.e. by the end of 1990 in this case. We could only undertake to accelerate the project in this manner if we knew that the road connection would be there at that time.

As I mentioned, we have what we believe is an achievable construction programme for the Limehouse Link to Canary Wharf. I attach a simplified version of the comparison between our timetable for the building of the tunnel and that projected by the LDDC. Naturally, we will be discussing this with them and with the Department of the Environment but we would welcome any support you felt you could give.

To the extent that we are able to expedite Canary Wharf, much further development in the Docklands will follow on its heels. By the year 2000 a substantial part of London's third business district will be in place, or under construction. We are ourselves attempting to come to grips with what that extent and pace of change will mean for the area and for London, and I hope to be in touch with you as our ideas crystallize.

During my visit you expressed an interest in seeing the World Financial Centre. I would be most pleased to show you that project when next you are in the United States, if your schedule permits. Similarly, I hope that during your forthcoming visit to Canada you will be able to see our developments in Toronto.

I look forward to seeing you again, either in London or Toronto.

Yours ever

Paul Reichmann

LIMEHOUSE LINK

This remains the critical "missing" link on road access from the City to Docklands - it is an extension of the four lane highway which runs east from the Tower of London.

Congestion in East London can only be obviated if the Link to Canary Wharf is completed by 1991 - this will require fast track building methods and, critically, coordination by Government to ensure that all the relevant departments and statutory bodies effectively coordinate their approval processes.

There are two distinct problems:

(i) Approval process. To meet a construction start date of July 1990 requires a public inquiry on land purchase and, on practical issues, support of the London Borough of Tower Hamlets (LBTH).

The labour caucus on LBTH is opposed to the highway and perhaps to Canary Wharf. The SDP/Liberal majority cannot be relied on to support the process and we are concerned that opposition, based on narrow sectional interests, could obstruct the process.

We require advice on how to ensure approvals are dealt with as expeditiously as possible and on what can be done if approvals become enmeshed in local decision processes.

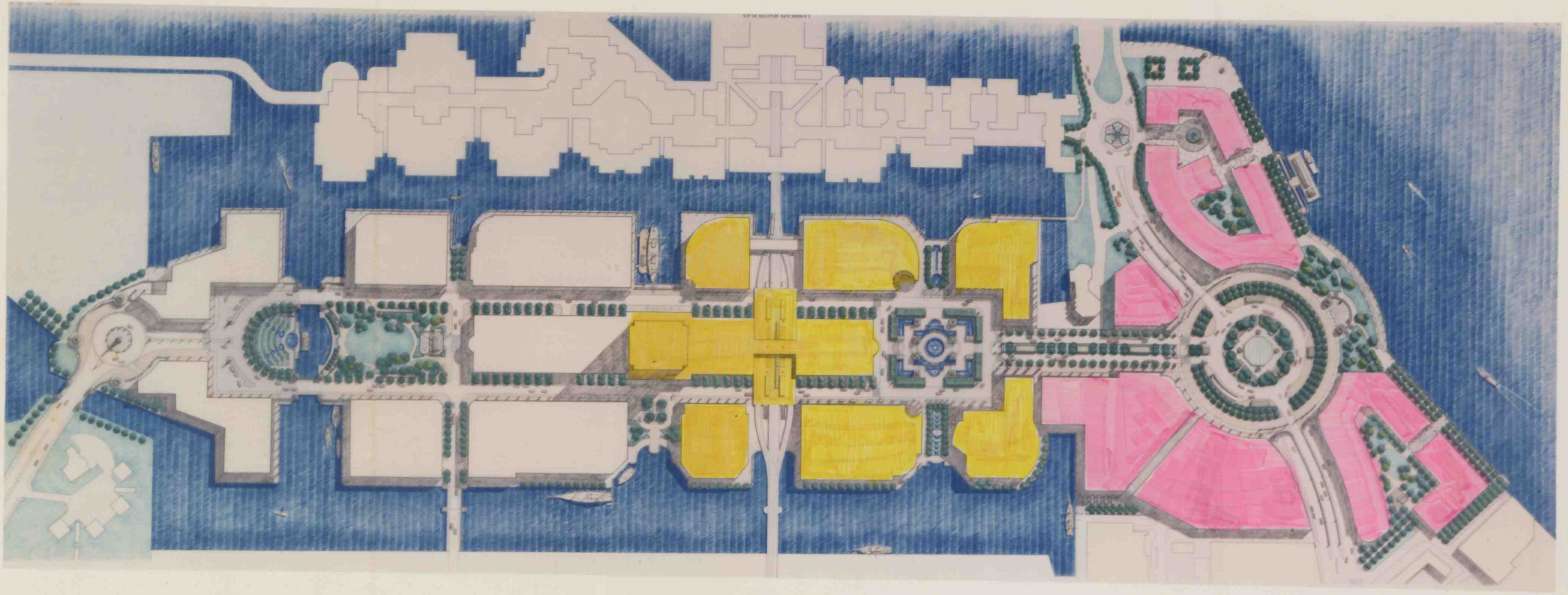
(ii) Construction process. We believe that the current programme of four years for the entire route can be significantly improved by fast track construction methods, implementation of a central unit to coordinate the activities of the Departments and statutory bodies and implementation of certain works, specifically preplanning by all statutory bodies and enabling works, prior to the Inquiry. These works do not obviate the approval process, merely ensure that plans are well advanced.

Completion of the Link in phases, which will allow access to Canary Wharf and other developments in the area in advance of the completion of the entire Link, can be achieved by modifying the mechanical and ventillation systems.

The attached schedule is an initial view of how the process might be accelerated: it will require detailed analysis.

LIMEHOUSE LINK ROAD PROGRAMME COMPARISON

		LDDC		OLYMPIA & YORK	
		APPROVAL (A)	CONSTRUCTION (B)	APPROVAL (A)	CONSTRUCTION (B)
A1	CPO/Planning Application/Road Closure	3/88		3/88	
B1	Design work by Statutory Bodies				4/88
A2	Public Inquiry	6/88		6/88	
B2	Initial Statutory Body Diversions				9/88
B3	Enablement Works to Limehouse Basin/ Limekiln Dock				9/88
B4	Mobilisation/issuing contingency contracts				9/88
A3	Public Inquiry Decision	10/88		9/88	
B5	Contract commences		1/89		12/88
B6	Commence mechanical, electrical work		7/91		4/90
B7	Completion of section to west of Westferry Road		5/92		12/90
B8	Mechanical/Electrical operation in section to Westferry Road				12/90
B9	Open slip roads to Westferry Road to allow access to Canary Wharf				12/90
B10	Overall completion		1/93		12/91


LANDSCAPE MASTER PLAN

Rle bmm

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary 17 February 1988

CANARY WHARF

Paul Reichmann has now written again to the Prime Minister following the meeting last week. He is still concerned about the timetable for completion of the Limehouse Link. I should be grateful if, in conjunction with the DTp, you could provide material for a draft reply to reach me by Wednesday 2 March.

BF

We are in touch separately with Olympia & York concerning the Prime Minister attending a function to mark the launching of the Canary Wharf project.

I am copying this letter to Roy Griffins (Department of Transport).

Paul Gray

Alan Ring, Esq.,
Department of the Environment.

Pelling
BF reply.

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref: 120491

Your ref:

Paul Gray Esq
Private Secretary to
The Prime Minister
10 Downing Street
LONDON
SW1A 2AA

29 February 1988

Dear Paul,

Flag PT12.

I enclose a draft reply for the Prime Minister to Mr Reichmann's letter of 16 February. It has been cleared with colleagues in Transport.

Both Departments and the LDDC recognise the importance of the Limehouse Link and other road and rail projects to the Canary Wharf and other deveopments in Docklands. LDDC have reorganised their consultants to ensure that the associated works to Canary Wharf are taken forward effectively. We also hope to arrange for an Assistant Chief Engineer from the Highways side of DTp to join LDDC as project manager of the Limehouse Link and other schemes being carried forward by the Corporation.

I am copying this to Roy Griffiths in Mr Channon's office.

Yours ever,

A D RING
Private Secretary

Pl. type for P.M.'s signature.
BRC6

DRAFT REPLY TO PAUL REICHMANN ESQ, CHAIRMAN, OLYMPIA AND YORK LIMITED, 19 NEW BRIDGE STREET, LONDON EC4V 6BY

Thank you for your letter of 16 February, following our earlier meeting when you explained your exciting plans for Canary Wharf. As I said

I share your confidence in the potential for further growth in the ~~London and British economy.~~ UK economy in general and the London Docklands in particular.

I ~~accept~~ recognise that access for construction traffic and those working there will be crucial to the success of the Canary Wharf project. And ~~in particular~~ the London Docklands Development Corporation and the Government Departments concerned fully appreciate that the Limehouse Link road must be designed and built with all the stops pulled out.

I believe one important step would be to strengthen the project management of the road scheme. So ~~you may look forward to~~ we are planning to reinforce the LDDC ~~being reinforced~~ with civil engineering expertise of its own to provide project management skills. The alternative schedule you provided has been sent to LDDC and can be developed in further discussion. ~~I can see~~ The fact that the utility services ~~that~~ criss-cross the road line and will each have to be relocated ~~and this~~ will complicate the programme of work. But I can assure you we will keep up the pressure to reduce the time absorbed by both the procedures and engineering work on the Limehouse Link and on other transportation projects in Docklands.

CCD

REG. POL: Inner Cities Pt. 13.

PA - Paul Gray has a 2nd copy of this.

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I believe one important step would be to strengthen the project management of the road scheme. So you may look forward to LDDC being reinforced with civil engineering expertise of its own to provide project management skills. The alternative schedule you provided has been sent to LDDC and can be developed in further discussion. I can see the utility services that criss-cross the road line will each have to be relocated and this will complicate the programme of work. But we will keep up the pressure to reduce the time absorbed by both the procedures and engineering work on the Limehouse Link and other transportation projects in Docklands.

OLYMPIA & YORK

Paul Reichmann

February 29, 1988

The Right Honourable Mrs. Margaret Thatcher MP
The Prime Minister
10 Downing Street
London SW1

Dear Prime Minister:

I was concerned to read in the Sunday Times dated 28 February alleged details of our recent meeting.

I have no idea as to how either of the two journalists discovered that we had met, and I hope that you will accept my assurance that neither I nor any member of my staff has spoken to any journalist about our meeting.

I considered, and continue to consider, our conversation to be absolutely confidential, and would adopt a similar attitude towards any future conversation I might be honoured to have with you.

With every best wish.

Yours sincerely,

Paul Reichmann

Olympia & York Developments Limited 2 First Canadian Place, Toronto, Ontario M5X 1B5 · 416 / 862-6100

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Romp, Europe, romp, to 1992

The Economist

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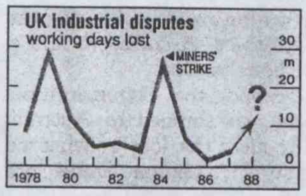
LEADERS

WORLD POLITICS AND CURRENT AFFAIRS

BUSINESS, FINANCE AND SCIENCE

Romp, Europe, romp

The difficult, desirable dance to a frontier-free EEC by 1992, page 13. How that dream-date looks inside and outside Europe, pages 41-44. But will the Bundesbank still be running its monetary policy?, page 84.

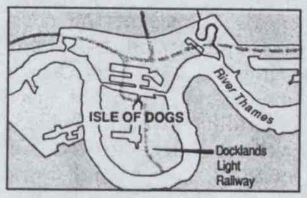


Striking Britons

Not yet the bad old ways, page 15. Scenes of struggle, page 21. Gain-sharing, page 63. Set wages nationally or locally, but don't mix the two, page 68.

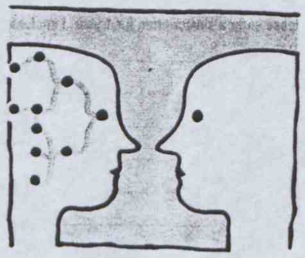
Battered Bush

Iowa gave him 33% in 1980, only 19% now, page 29. Dukakis well placed, page 30.



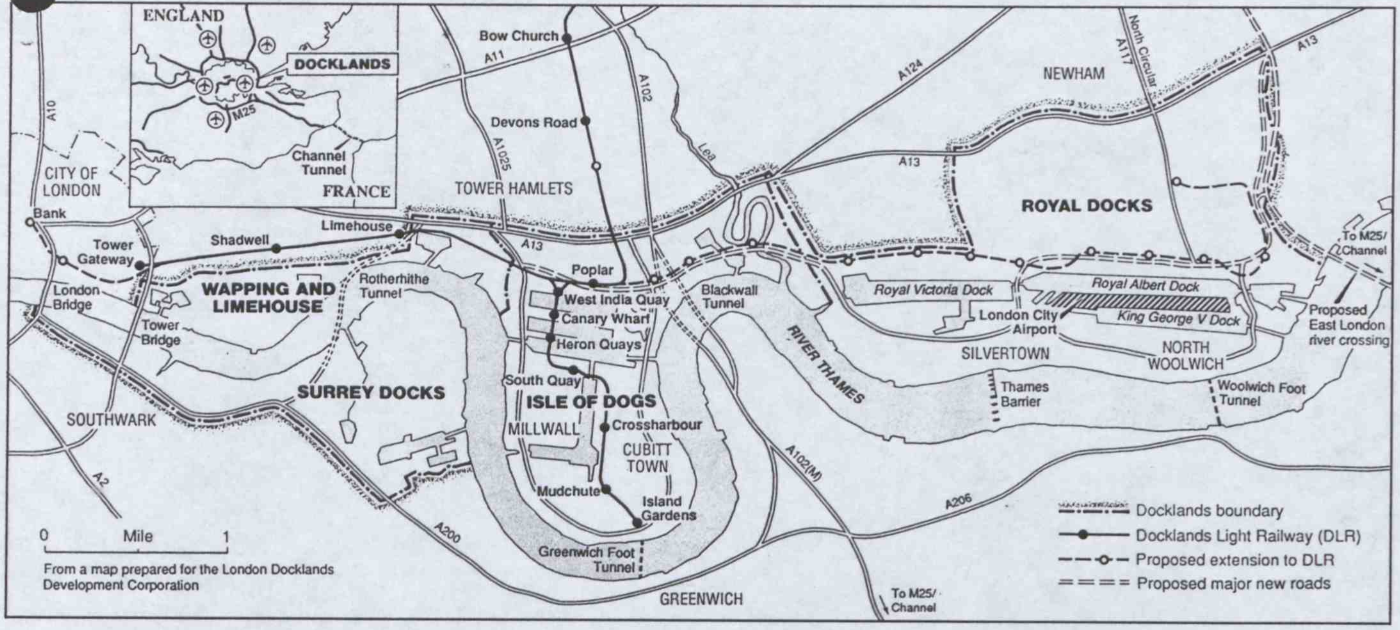
Changing City

Docklands derelict no more, pages 71-77. Big Bang's surprisingly few surprises, page 81.



Outside looking in

Management consultancy may grow more useful as it becomes more competitive. A survey after page 56.



From a map prepared for the London Docklands Development Corporation

Where derelict land is a greenfield site

If Docklands was simply the largest urban renewal scheme in Europe it would just be a biggish story. What makes it fascinating is the way the gear-changes to the new Britain have happened there without lubrication—the decline of local democracy, the internationalisation of the economy, the death of old industries, the birth of new ones. Can the pushy confidence survive the stockmarket crash and the opposition of local people?

THE last of London's upstream docks closed in 1981; the port of London is now more than 20 miles by river from Tower Bridge. The ships left an area of over eight square miles, with 55 miles of waterfront and about 40,000 people. Much of the land was derelict; 20,000 jobs had gone in ten years. In 1981 the male unemployment rate in Newham, Tower Hamlets and Southwark—the three London boroughs within whose boundaries the docks lie—was, at 22%, about twice the national average. In the areas abutting the docks, more than 90% of households rented accommodation from a local authority. Close by some of the world's most expensive land in the City of London, property in Docklands was worthless.

The urge to "do something" in Docklands has spawned schemes for 30 years. They were public-sector led, but the boroughs were not able to generate the kind of cash required to clean the land up for later business investment. At times, London's politics got in the way.

East London has voted Labour at least since George Lansbury (who later became leader of the party) went to prison with his colleagues on Poplar council in 1921 for using the rates to help the poor. Some of Lansbury's successors were opposed to investment by big business, and hankered for the area's old communal sort of economic development where the docks and small manufacturing and service firms provided mutual support.

In 1980 Mrs Thatcher's first government changed tack. It set up the London Docklands Development Corporation (LDDC), an unelected body, to oversee urban renewal. The power of this quango rests on two pillars. First, it can buy and sell land, receiving a grant-in-aid each year from central government to do so. About £300m ($525m) of public money has been committed so far. The LDDC uses the money to clean up the land, but the big profits go to those who then develop it. Second, the LDDC (not the elected councils of the boroughs) is the planning authority for the area. It is the unelected body that says what activities may take place where; what buildings, in what shape, may be constructed. Conversely, it has no duty to provide either housing or education, as local authorities do.

The new City

Most of the business investment that the LDDC is leveraging into Docklands is for financial services. True, some light manufacturing will occur in the Surrey and Royal Docks, and most of Britain's national newspapers are now printed in Docklands. But these plants will be dwarfed by office and commercial development. As of November 1987 Knight Frank & Rutley, an estate agent, counted nearly 30m square feet of offices planned or under construction in the development area, compared with a mere 2.5m square feet dedicated to industrial or warehousing use.

The bulk of the early development is centred on the Isle of Dogs, the U-shaped area almost enclosed by a meander of the Thames. The Isle of Dogs is an enterprise zone as well as part of the area of the LDDC. This means that its planning regime is even more liberal (ie, virtually non-existent) and that developments there are free of rates (property taxes) until 1992.

The big boys, many of them foreign, did not move in until the unveiling of plans for Canary Wharf, a strip of land running across the West India docks. In 1985 development of 12m square feet of the site was proposed by a consortium in which the main partners were two banks—Credit Suisse First Boston (CSFB) and Morgan Stanley—and the company of an American property developer, Mr Gooch Ware Travelstead. Their plan called for three towers more than 800 feet high (which would have made them the tallest in Europe), together with smaller buildings. It envisaged moving the focus of London's financial-services industry eastwards from the City. Canary Wharf, said its developers, offered lower costs and the chance to build with large floors, and with ceilings high enough to cope with the cables and air-conditioning ducts that today's offices need.

These claims were lost in a welter of criticism. First, it was said, the proposal represented an unacceptably high risk. Second, it was aesthetically flawed—the towers ruined views like that from Sir Christopher Wren's masterpiece at Greenwich, across the river. Third, many people doubted that the development consortium had the financial muscle needed.

The third objection was correct. The LDDC had shrewdly written the contract so that the developers were irrevocably committed to building £300m-worth of infrastructure. As the lead-time of the project dragged on, this contingency started to make the development look risky. Early in 1987 CSFB and Morgan Stanley pulled out of the investment, though they remained committed to taking office space on the site. A worldwide chase for a new developer ensued. In July Olympia & York, a Canadian property firm controlled by the rich, reticent and religious Reichmann family, stepped in and took over the whole development. At today's prices, it will cost £3 billion-4 billion.

Olympia & York has moved quickly to quell the second (aesthetic) objection. Its current flagship development, the World Financial Centre at Battery Park, on the tip of Manhattan, has been well received by architectural critics. The Canadian property company has reduced in size two of the three towers at Canary Wharf. It is committed to using Skidmore Owings & Merrill and other establishment architects there. No sooner had Sir Roy Strong retired as director of London's Victoria & Albert Museum than Olympia & York had signed him up as a design consultant.

Short of tenants

The objection that the project is too risky continues, however, to have its supporters. Almost all Docklands commercial building is now speculative, none more so than Canary Wharf. It has not been pre-let beyond the commitment of CSFB and Morgan Stanley to take 600,000 square feet each. Morgan Grenfell Securities, an arm of a London merchant bank, is among those who say Canary Wharf can never replicate the success of the World Financial Centre. That was cheek-by-jowl with Wall Street; Canary Wharf is much farther from the City. In Manhattan, Olympia & York wooed some tenants by buying from them the interests in their existing buildings and relocating them in the World Financial Centre. Morgan Grenfell argues that ruse will not work in London because so many headleases in the City are held either as long-term investments or by the City Corporation.

Most critically, even before the stockmarket crash, the rush of foreign banks to London had slowed. Immediately after October 19th, Mr Michael Cassidy, the chairman of the City Planning Committee, said he thought that the boom in London development was over. If retrenchment looms in financial services, Canary Wharf will be exposed, and might be limited to just the back-office activities of securities houses. That, at least, is the conventional wisdom.

Paul Reichmann is Mr Big

Mr Michael Dennis, Olympia & York's project manager for Canary Wharf, has heard it all before. He says, accurately, that whenever Olympia & York has embarked on a scheme of this magnitude it has finished it. Not pre-let? In 1981-82 4m square feet of the World Financial Centre was under construction of which 650,000 had been signed up. Is Canary Wharf too big a chunk (perhaps 7%) of the City and West-End market? First Canadian Plaza, a successful Olympia & York development of the 1970s, was then 10% of the Toronto market.

Is Canary Wharf too far from the City? It is here that Mr Dennis has perhaps the most intriguing reply to the doubters, for Olympia & York has quietly repositioned the development. The market for Canary Wharf, he says, is the whole of London, and anybody who may do business there—not just the City and the financial-services businesses. In effect, Olympia & York is betting on the success of the British economy as a whole, and on London as an all-round business centre.

Will it work? That depends on whether the London market for property continues to grow, and is driven by size (meaning floors of more than 25,000 square feet and buildings of up to 800,000 square feet) and quality (not just the high ceilings, but cinemas, florists and the like, to make the development attractive). Canary Wharf is the only development in London that fits those bills. It is simply not feasible, whatever its boosters may argue, for the City of London, now an unlovely, overbuilt square mile, to offer the potential of an almost empty site to the east. And Docklands remains a bargain. The top rent for quality accommodation in the Isle of Dogs is £20 ($35) a square foot, free of rates until 1992. Comparable space in the City costs £55-60 a square foot with rates on top. At a time of cost retrenchment, Canary Wharf has some powerful cards.

Rocky II?

The main problem now is not financial muscle. Olympia & York has the staying power to wait for Canary Wharf to come good, much as the Rockefeller family had to wait for the speculatively built Rockefeller Centre in midtown Manhattan to fill up. But a wait there will be. The amenities—the bars, the restaurants, the clubs—that might attract affluent staff to Docklands are not yet in place. Nor is the transport system that would get these people there. The LDDC's new road to service the Isle of Dogs will not be completed until 1992. The East London River Crossing, a new bridge to link with the south-east suburbs, will not be built before then. Meanwhile, public transport to the Isle of Dogs is provided mainly by a light railway with a capacity of 3,900 passengers an hour each way—far too little for an office complex which may employ 60,000.

It is for this reason that some property analysts now advise investment in the Royal Docks, where plans are not yet finalised. The Royals will be "locked" into the national motorway network before the eastern end of Docklands, and have on their doorstep the London City airport for short-haul flights. And—if the new road bridge is on time—it is the Royals that will have easiest access to the Channel tunnel, and hence to continental markets.

Long-term plans for transport in Docklands reveal the development at its most ambitious. The light railway is being upgraded and extended to the Bank of England, in the heart of the City. A new line is planned to Beckton, in the east. There is talk of running the railway south of the river to Lewisham. That would be a real coup. It would mean the trains would not have to return to the City empty, as they do now. If all these things happen in the next ten years, as they probably will, they will count among some of Britain's most impressive infrastructural investments this century. It is easy to get excited.

Plucky little what?

The people who resolutely refuse to join in the whoopee are those who live in Docklands. They continue to give off a sullen, resentful air, as if the new economy of their area had nothing to do with them.

This is due in part to the unbalanced powers of the LDDC. Consider that old London music-hall duo: homes and roads. For the LDDC to build a new road to service the developments, it has compulsorily to purchase land and demolish housing. But, because it is not an elected local authority, the LDDC has no reponsibility to rehouse the displaced families. For that it must rely on the co-operation of the very boroughs whose ambitions were trampled on when the LDDC was asked to do a job they thought was theirs. The tension is not surprising.

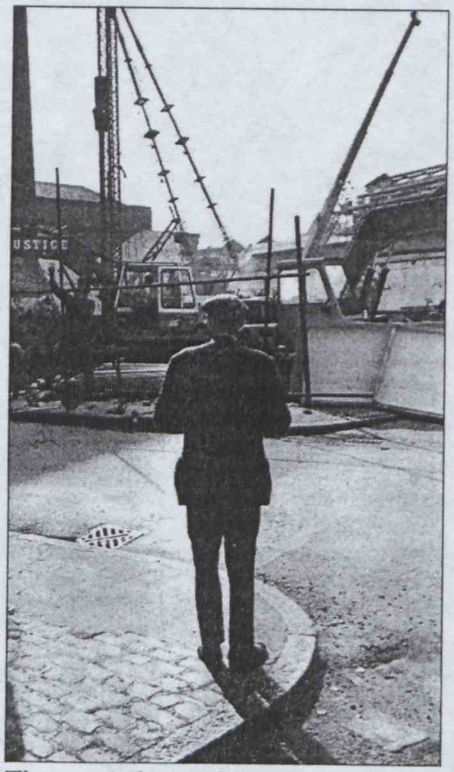
That tension is inevitably increased by the new housing in Docklands. East London is not homogeneous. Its eastern edge is almost suburban; on the west, Limehouse and Wapping have rows of old warehouses in narrow streets, just right for designer-lofts like those in lower Manhattan. Plans call for the construction, either in new buildings or through refurbishment, of about 4,400 housing units (80% of them flats) in Limehouse and Wapping. About 1,400 of the 4,400 were completed by the end of 1987; another 2,000 were under construction.

Much of this accommodation, close to the City with attractive waterside views, became available during the explosive growth of salaries in the financial markets, and has been bought by City workers. A recent survey of Wapping by Knight Frank & Rutley found that three-quarters of the householders there worked in the City, and that half were childless couples. The prices they are paying are far beyond the means of most cockneys. Housebuilding land in Wapping now sells for up to £4.6m ($8.1m) an acre; so flats sell for £300,000 and more. The market has, within a few years, become one judged by the norms of central London, not by those of the depressed East End.

A more lurid version of the same story holds that a traditionally working-class neighbourhood has been "yuppified" (and worse: unsubstantiated whispers have it that some Wapping sites were financed by Britain's biggest robbery, the £26m Brinks-Mat bullion raid of 1983). The LDDC replies, wearily, that away from the yuppy market it has built nearly 2,000 new homes on its own property, mainly in the Surrey Docks. These "affordable" homes—at £40,000 or less—are supposed to be reserved for original eastenders. The Docklands Forum, a consortium of neighbourhood organisations, blows a raspberry. It reckons that three-quarters of the people living in the three boroughs lack the income to service a mortgage for even an "affordable" house. For six years, local activists and the LDDC have been able to agree on nothing.

The political climate is improving for the developers. Tower Hamlets is now controlled by the Liberal party and Newham's Labour council is more co-operative. Even so investors cannot expect to move into an area where all is sweetness and light. It could hardly be otherwise in a laboratory for the new Britain. Redevelopment has not, so far, brought many jobs for local people. Up to March 1987, 7,897 jobs had been created in Docklands; but of these, 5,059 were in establishments that had been transferred from outside its area. Meanwhile, 3,355 Docklands jobs had been lost. Since many of the jobs transferred into the area came from elsewhere in east London, net employment available close to home for those living in Docklands probably decreased during the first six years of the LDDC.

That will change, as developments start to be completed. But will the old residents benefit? The Docklands labour force is not highly skilled; a survey of the Isle of Dogs by a London University group last year found that over 40% of the labour force had no formal qualifications. In the 1981 census only 5.2% of Tower Hamlets men (compared with 13.7% nationally) and 8.7% of women (compared with 12.2% nationally) had higher-education qualifications. After some criticism, the LDDC has tried to redress the balance. A compact with Newham Borough stresses training. It needs to—most of the new jobs in Docklands, even those in the new printing plants, will demand skills that the indigenous community lacks. The local worry is that these jobs will go to outsiders, and that pockets of poverty will uneasily co-exist with great wealth, as in New York.



There goes the neighbourhood

How serious a worry is this? More brutally, how much sympathy does the old community deserve? Note, first, that the old saw of London—that it is a city of a hundred villages—remains true in east London, if nowhere else in the conurbation. What the rest of Britain knows as the Isle of Dogs, and east Londoners as "The Island", is unknown to those who live there. They would always say they came from either Millwall or Cubitt Town. Further east, Silvertown and North Woolwich are quite strikingly isolated, squashed between the inland sea of the Royal Docks and the river.

Yet sympathy for plucky little communities like this is faintly patronising as well as reactionary. Why shouldn't Docklands' children be able to win jobs in the industries of the future? In fact, they can; the cry of "local jobs for local people" is simply out of date. A 1987 study by Mr Andrew Church of Birkbeck College found that 59% of the jobs held by 16 to 21 year olds in the Isle of Dogs were in the City or central London. There is no logical reason to treat east London's labour market and its people as in any way different from those of the rest of London, where inhabitants criss-cross the metropolis in search of work and play.

No logical reason—but that does not quite take the trick. For good reasons or bad, east London is regarded as a place apart by both the people who live there, and by much of the rest of Britain. It takes a Canadian like Olympia & York's Mr Dennis to look at an aerial photograph of the desolation of east London and say "I don't have the socio-psychological problem with this that natives do."

For him, and for the Swedish, Danish, West German and Japanese companies hastening to Docklands, east London is a land of opportunity. So it should be for the local children for whom these risk-takers will find jobs. All of them are on the right side of history. Do not expect the parents and grandparents of those children to agree. They remember the Queen Mum visiting bombsites, arc-lights in the docks so bright you could read at midnight, and "Land of Hope and Glory" playing in the pubs when a Russian ship pulled in. In unlubricated Britain, the price of prosperity tomorrow remains confusion and alienation today.

FINANCE

The surprising survival of the City's old guard

REMEMBER what was going to happen after London's Big Bang in October 1986? The old split in corporate finance between merchant bank and broker would go. These functions would be taken over by new integrated investment banks, bursting with bold techniques. The arrival of more firms with more capital would lure in American methods of issuing share capital, driving out the small and the weak. It hasn't happened. The old houses have lost remarkably little of their grip; the old ways have proved remarkably resilient. But for how long?

Look at any measure of corporate-finance activity (see the tables below for four). The firms that dominated in the early 1980s still do, even though names have changed as merchant bankers and brokers merged. Several houses that have failed to make the grade in new areas of business nevertheless put in defiant performances in their corporate-finance divisions last year. For instance, during the boom in takeovers and rights issues in 1986-87, companies favoured merchant banks such as Kleinwort Benson, Morgan Grenfell and Hill Samuel, even though the merchant banks' brokerage arms were weak in distributing securities.

Two more surprises: Morgan Grenfell, despite fall-out from the Guinness scandal, advised in 33 domestic takeovers with a value of £5.3 billion ($8.7 billion) last year. That was more in number and value than any other bank. Hill Samuel, which made a messy marriage with the Trustee Savings Bank, still boasted the longest merchant-banking list last year, even after many of its corporate-finance team had quit.

Despite City talk about "one-stop shopping" versus "niche players", it looks as if long-established relations between finance directors and their bankers and brokers still count for more than wodges of capital and wholesale shopping lists. According to a recent survey of 325 British companies by an American research firm, Greenwich Associates, more companies favour separate roles for their merchant bank and for their corporate broker than want integration. More than three-fifths consider integration to be of little importance.

The traditional corporate stockbroker is a British curiosity. Its corporate-finance role is very different from the normal business of trading shares. The role is to advise companies on what is going on in the stockmarket, and hence to fix the price of a rights issue or a takeover offer. In America that is the job of the investment bank.

The reluctance of British companies to

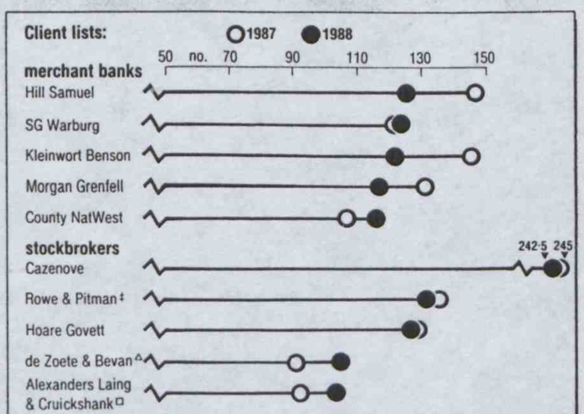
Endurance tests

Financial advisers in British takeovers, 1987

	Total*	Value, £m
Morgan Grenfell	33	5,348
SG Warburg	24	5,238
Kleinwort Benson	22	3,669
Schroders	25	3,580
Charterhouse Bank	14	3,458
Samuel Montagu	24	2,739
Baring Brothers	15	2,447
Barclays de Zoete Wedd	17	2,430
Lazard Brothers	24	2,359
NM Rothschild	17	2,147

Managers of rights and new issues, 1987

	Value†, £m
NM Rothschild	9,272
County NatWest	2,241
Samuel Montagu	1,940
Hill Samuel	1,801
SG Warburg	1,148
Morgan Grenfell	1,041
Robert Fleming	861
Charterhouse Bank	652
Schroders	626
Lazard Brothers	553



Sources: Acquisitions Monthly; Investors Chronicle; Crawfords

* Bids and defences † Includes joint issues ‡ Owned by SG Warburg △ Owned by BZW □ 1988 joint fifth with Phillips and Drew

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