PART 8

PM/MT

Confidential Filing

The Channel Tunnel

TRANSPORT

Eurorate

Folder: CTRL: Report by OOE, HMI & Transport.

Part 1: July 79

Part 8: Sept. 90

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PART ENDS

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PART 8 ends:-

AT to Sir. A. Morton 29.8.91

PART 9 begins:-

PM to Sir. J. Stanley MP 2.9.91

MORTON

9/9

10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

29 August 1991

The Prime Minister is out of London for virtually all the next ten days but I will draw the proposal in your letter of 27 August to his attention as soon as possible, and come back to you thereafter.

ANDREW TURNBULL

Sir Alastair Morton

file
SR
E/British

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

29 August 1991

Dear Miss Bow,

BRITISH RAIL FREIGHT LINES TO THE CHANNEL TUNNEL: COMPENSATION FOR INTENSIFICATION OF USE

Thank you for your letter of 30 July to my colleague, Dominic Morris, covering a minute setting out some possible approaches, if it were decided to make available further noise compensation to those affected by the greater use of the freight lines to the Channel Tunnel. The Prime Minister was grateful for your Minister's prompt response.

The way forward must now be for the Department of Transport to discuss with Treasury (and other Departments if relevant) the potential costs of different approaches; to consider, in the light of the further work and other policy commitments whether any of the approaches should be pursued; and, if so, how they can be accommodated within agreed Departmental budgets.

I am copying this letter to Nicholas Holgate (Chief Secretary's Office).

Yours,

Barry

(BARRY H. POTTER)

Miss A.J. Bow,
Department of Transport.

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CONFIDENTIAL FILE TW

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

29 August 1991

Dear Simon

CHANNEL TUNNEL RAIL LINK

The Prime Minister has now had an opportunity to consider your Secretary of State's minutes of 5 and 25 July, the Chancellor's minute of 22 July, and the Environment Secretary's minute of 12 July on the Channel Tunnel Rail Link.

In order to carry matters forward, the Prime Minister has asked Mr. Jonathan Hill from No.10 Policy Unit to undertake further discussions at official level in all three Departments concerned, in order to clarify the options and their respective merits and disadvantages.

In the light of these further official discussions, the Prime Minister intends to hold a further meeting with your Secretary of State, the Environment Secretary and the Chancellor next month.

I am copying this letter to Phillip Ward (Department of the Environment), Jeremy Heywood (H.M. Treasury) and to Jonathan Hill (No.10 Policy Unit).

Yours

Barry

BARRY H. POTTER

Simon Whiteley, Esq.,
Department of Transport.

CONFIDENTIAL

HK

b/f to JJH

on return

~~Stephen~~ See

[illegible]

PB.

R 28/8

NT CF PPS
NT/JSW

Sir Alastair Morton
Chief Executive
Eurotunnel

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27 August 1991

The Rt. Hon. John Major, MP,
The Prime Minister,
10 Downing Street,
London SW1A 2AA.

Dear Prime Minister

I wrote to you on 11 July to suggest a visit to the Eurotunnel site in Folkestone in October.

I write now to urge it again, whether President Mitterrand comes or not. I assume the Kent Main Line route, at least as far as Hither Green, is to be announced at your Party Conference or in the early days of Parliament's resumption.

A widely televised visit to the site at Folkestone will be strongly positive for our European friends, for Kent and for Britain - not least as a herald of returning economic confidence.

Can we discuss this?

Yours sincerely

Alastair Morton

Eurotunnel is an association constituting a partnership and a société en participation between The Channel Tunnel Group Limited, Registered Office as above, registered in England No. 1811435 and France-Manche société anonyme, au capital de 5.317.950.000 F, siège social à l'adresse ci-dessus, RCS Paris B 333 286714, a company incorporated in France with limited liability whose address for service in Great Britain is given above.

Prime Minister (1)

PRIME MINISTER

23 August 1991

Content with draft. But - while I'm away - please prompt Mr. Freeman on how he is progressing this matter. J.H.

NOISE FROM CHANNEL TUNNEL TRAINS

Following your meeting with Kent MPs at the end of July, DTp officials produced a note setting out the background to the issue of compensation and listing some of the options facing us. It did not, however, make any kind of recommendation.

I have therefore spoken to Roger Freeman, who suggested that he produced a draft of a letter that you could send to John Stanley. I attach a copy.

My immediate reaction to it is that although it is a sensible holding letter, you may feel that it appears unduly tentative given that a month has now elapsed since the meeting with MPs.

Are you content with the draft? Do you want to send something more positive? Or do you want a word with me and/or Roger Freeman?

Jonathan Hill

JONATHAN HILL

351.JH

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

12 August 1991

Thank you for your letter of 1 August to the Prime Minister who is, as you know, away from London at present. I will show it to him on his return and know that he will be grateful to you for taking the trouble to set out a summary of the points made during the meeting with him on 26 July.

DOMINIC MORRIS

The Rt. Hon. Sir John Stanley, M.P.

FILE

APOS/Morton.dca

10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

2 August 1991

The Prime Minister has asked me to thank you for your letter of 11 July and, in his absence on holiday, to reply. He too was sorry that the Calais event on 29 July was cancelled but every cloud has its silver lining. As a result he was able to get to Glyndebourne in leisurely fashion. He is, however, anxious to rearrange a visit though a combination of Party Conference and the Commonwealth Heads of Government Meeting rule out the first half of October.

We will be in touch at the end of August about possible dates.

ANDREW TURNBULL

Sir Alastair Morton

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

Much too abrupt!

Softer letter too please.

Dear Sir Alastair,

The Prime Minister has asked me to reply. He too was

Thank you for your letter of 11 July. I am in the absence

~~I too am~~ sorry that the Calais event on 29 July was cancelled ~~and we must indeed look for another day.~~ but very glad ~~he very much hopes a visit can be rearranged~~ has its silver lining. As a result he was able to get to Glyndebourne on Tuesday instead. He is, however, anxious to rearrange a visit though ~~as far as I am concerned.~~

~~I am afraid~~ a combination of Party Conference and the Commonwealth Heads of Government Meeting rule out the first half of October

We will be in town at the end of August about possible dates

Sir Alastair Morton

From: The Rt. Hon. Sir John Stanley, M.P.

DM 0.1.

HOUSE OF COMMONS
LONDON SW1A 0AA

1st August, 1991.

The Prime Minister
10 Downing Street
London
SW1A 2AA

Dear Prime Minister.

Thank you very much indeed for seeing a group of us on the 26th July on the question of compensation for those who have lost most, if not all, the value of their homes alongside the designated existing rail routes to the Channel Tunnel. We greatly appreciated you giving us some of your precious time and for considering so carefully what we had to say.

You asked me for my notes. I am afraid that you won't find them very easy to read, so may I briefly summarise what I said.

The case for compensation rests on two legs - first on existing compensation policy, and second on equity to individuals.

As far as existing compensation policy is concerned, I pointed out that since the 1973 Land Compensation Act, compensation had been payable for the depreciation of properties on account of physical factors such as noise caused by the use of public works but that the Act made a crucial distinction between the nature of the public works that triggered an entitlement to compensation for motor vehicle noise as opposed to aircraft noise. (The Land Compensation Act makes no specific reference to railways). For an entitlement to be created to compensation for motor vehicle noise the public works have to involve the construction of a new highway or new carriageway/ roundabout to an existing highway. However, for an entitlement to be created to compensation for aircraft noise, the public works do not necessarily have to include the construction of a new runway or an extension of an existing runway. Other works whose main purpose is to provide facilities for a greater number of aircraft are sufficient to provide

continued over...

an entitlement to compensation. This has been confirmed to me both by B.A.A. PLC., in relation to civil aircraft, and by the Ministry of Defence in relation to military aircraft. I gave details of this confirmation in moving New Clause 16 to the Planning and Compensation Bill, and I enclose a further copy of this Hansard with the relevant passages highlighted. Our group of M.Ps is in no doubt that the noise from a passing international high-speed train is much more closely akin to that from a passing aircraft than to that from passing motor vehicles, and that as £700 million worth of new works are taking place on the existing designated rail routes to the Channel Tunnel to provide for their use by Channel Tunnel trains, the payment of compensation would be in accordance with existing policy. Indeed failure to pay compensation in these circumstances would be a breach of at least the spirit of the Land Compensation Act.

The case of compensation on grounds of equity to individuals rests on the fact that the individuals involved stand to lose most, if not all. of the value of their main asset, their home, because of circumstances that they could not reasonably have foreseen when most of them bought their homes. They could not reasonably have foreseen that the Channel Tunnel - a paper project for nearly 200 years - would actually finally get built; nor that it would be built without any new line to go with it; nor that British Rail would designate minor lines, such as the Maidstone East line and the Tonbridge to Redhill line to take Channel Tunnel freight, principally at night-time and seven days a week. In our view the Government and British Rail have a clear duty in equity to compensate those who are losing the value of their homes through circumstances that they could not reasonably have foreseen and which have arisen as a result of (perfectly good) government decisions in the wider public interest.

You said that you would let me know when you had reached a conclusion on the compensation issue. In the meantime, thank you once again for hearing our case and please have an immensely well-earned break!

ENCLOSURE

New Clause 16

COMPENSATION FOR WORKS IN CONNECTION WITH RAILWAYS

'.—After section 27 of the Land Compensation Act 1973 (Execution of works etc. in connection with public works) there is inserted—

"27A.—(1) The Secretary of State may compensate any person with a qualifying interest in land the enjoyment of which will in his opinion be seriously or injuriously affected by the carrying out of works or the use of public works or the intensification of operations by or in connection with the activities of the British Railways Board.

(2) In the section 'qualifying interest' has the meaning given in section 149(2) of the Town and Country Planning Act 1990.

(3) In this section the power to compensate includes the power to acquire by agreement property at a value established by reference to the value of the property which would have obtained if the relevant operations had not been subject to intensification.

(4) Save as provided in subsection (3) the provisions of Part I of the Land Compensation Act 1973 (Compensation for depreciation caused by use of public works) shall apply to compensation paid under this section.".'.—*[Sir J. Stanley.]*

Brought up, and read the First time.

Sir John Stanley (Tonbridge and Malling): I beg to move, That the clause be read a Second time.

Although the new clause has been tabled by right hon. and hon. Members of different parties who represent constituencies in London, Kent and Surrey, it raises an aspect of compensation policy which is of considerable importance to any constituency, wherever it is located, if, like ours, it faces a quantum leap in noise levels from the railways as a result of a different type of train which will travel with much greater frequency on the existing railway system. The issue that we are about to debate will be seen to be a part of general compensation policy, not one that flows from the channel tunnel project.

The problem faced by our constituents can be stated relatively simply. The Government have so far been unable —or unwilling—to agree to the construction of a new high-speed line from London to the channel tunnel portal. Therefore, it is inescapable that for at least five years after the channel tunnel opens in 1993, all through international passenger and freight trains to and from the continent will travel on the existing designated railway system between London and the continent. They will travel especially on two lines—the main line that has been used by the previous boat train service through Tonbridge down to Ashford, and the secondary line through Maidstone east.

The implications for people who have properties close to the railway lines are little short of disastrous, because the increase in usage, especially at night, will have drastic effects. At present, virtually no use is made of the Tonbridge to Ashford line at night. Equally, there is really no use of the Maidstone east line at night.

According to British Rail's own forecast of the international freight traffic alone, international freight trains about half a mile long and travelling at about 75 mph will take at least half a minute to pass a given point which, as far as our constituents' are concerned, will be their bedroom windows, which may be a few metres from the railway line. The trains will pass by about every 20 minutes throughout the night from 10 pm to 6 am. They will pass every night of the week, every week of the year. I am happy to say that it will affect relatively few people who are unfortunate enough to have property alongside the designated channel tunnel routes.

5.30 pm

New clause 16 seeks to deal with that problem by conferring on my right and hon. learned Friend the Secretary of State for Transport two discretionary powers. The first power would enable him voluntarily to acquire, with the agreement of the owner, homes that are seriously affected by the build-up of rail traffic. In practice, I would expect that power to be used in the case of houses that have, to all intents and purposes, been rendered valueless and uninhabitable by the rail traffic build-up. My hon. Friend the Minister of State kindly visited a house in my constituency, which I believe that he will agree will be rendered effectively valueless.

The second power is a discretionary power to apply the injurious affection provisions of the Land Compensation Act 1973 to those houses that are not made totally uninhabitable but whose value is seriously affected. Those two powers will provide a sensible and fair answer to the problem.

The House may ask, what are the objections to new clause 16? I shall anticipate two arguments that may be used by my hon. Friend the Minister. The first argument —he would be ill-advised to use it—is that compensation is paid only in relation to new works and not in the case of intensification of existing use. He may claim that this is an example of intensification of existing use and that, therefore, compensation cannot be paid. That argument cannot run. To try to pretend that the build up of rail traffic as a result of the channel tunnel is simply an intensification of existing use without any new works does not accord with reality. There are massive new works which are making it possible for the intensification to occur.

At one end of the line we have the biggest single new work that has ever been undertaken by the British civil engineering industry—the channel tunnel. It will link the entire continental rail system with the British rail system. That is a pretty good new work. At the other end we have the £150 million new work taking place at Waterloo station. Some of us went to see it the other day. There is a new international terminal with five new platforms, each a quarter of a mile long, to take the new international passenger trains. There is a massive new work between Tonbridge and Redhill where the line is being electrified to take the international freight trains. Mile upon mile of continuous rail is being installed, bridges are being reconstructed, there is tremendous investment in new signalling and track is being reconstructed. My right hon. Friend the Minister recently confirmed in a parliamentary answer that, even ignoring the cost of the channel tunnel, the associated rail works to enable the channel tunnel trains to travel on the existing designated routes will total £700 million. By every possible argument, major new works are involved and the issue cannot be dismissed as simply an intensification of existing use.

Mr. Andrew Rowe (Mid-Kent): My hon. Friend suggested that if the Government had been able or had wished to approve a new line, some of the problems might have been avoided. Is it not the case that British Rail has

[Mr. Andrew Rowe]

stubbornly persisted in its view that there is no need for a new freight line and that, therefore, our constituents will be subjected to this burden for the foreseeable future?

Sir John Stanley: I agree with my hon. Friend. British Rail's proposals, which as far as we know have not yet been accepted by the Government, envisage a new line for passenger traffic only. Therefore, the problem will arise for freight.

My hon. Friend the Minister may concede my first point about intensification of existing use. The real issue is what type of new works should trigger an entitlement to compensation. My hon. Friend the Minister may fall back on a second line of resistance. He may say, "Yes, I acknowledge that there are major new works but, I am afraid, that the works are of the wrong type. In a road scheme no compensation is payable unless there is a new road or a new carriageway to an existing road. In this case, by and large, there is no new track and compensation cannot be paid." If my hon. Friend is tempted to use that argument, I hope that he will think again. An analogy between the compensation problem for railways and the compensation problem for a road scheme is wholly bogus because the railway noise profile is totally different from that of a highway. The noise profile is critical. It is that which depreciates the value of homes and possibly creates the entitlement to compensation.

I invite the House to consider the noise profile of an international freight or passenger train. First there is a total silence. Then, from a very faint noise, there is a gradual crescendo, which builds to an intense noise for those whose homes are right by the railway line. That noise is sustained for at least half a minute as the train passes. The noise then diminishes back into total silence until the next train in about 15 minutes or so. That is not the noise profile of a passing car or lorry or of continuous traffic from a highway scheme. That noise profile approximates to that of an aircraft. The passage of an aircraft overhead is the correct analogy for the problem facing our constituents.

When we consider this as an issue of compensation policy in relation not to a highway scheme, where the analogy is false, but to aircraft, a different perspective emerges. As I hope to demonstrate, existing practice for civil and military aircraft is wholly in line with what we propose in new clause 16. We are not asking the Department of Transport to take a radical step forward or to create a dangerous new precedent. We are asking the Department to bring itself into line with the practice of those operating civil and military airfields and accept the same responsibility to householders in the vicinity of railway lines as is already accepted by those operators.

Mr. Bob Dunn (Dartford): Before my right hon. Friend extends the theme a little further, will he confirm that the problem with the noise profile will be worse during the day and evening? The noise from passing trains will not be confined to office hours from 8 o'clock in the morning until 6 o'clock at night but will continue through the night. On returning from work to home, where people want to enjoy their leisure and rest, owners will find that the noise profile is distinctly disturbing and wrecks their tranquil hours.

Sir John Stanley: My hon. Friend is correct. There will be noise disturbances on a 24-hour basis. My hon. Friend's point is extremely telling, not least because there is a ban on night-time flying by civil aircraft. Our constituents will be in a worse position than those affected by civil flights.

I remind the House of the two key powers that are available under new clause 16—the power to set up a voluntary acquisition scheme for owners of houses that are, in effect, made valueless and the power to pay injurious affection compensation.

I have considered the existing practice of civil aviation operators and the Ministry of Defence. On the civil side, I start with the issue of a voluntary acquisition scheme. Sir Norman Payne, the chairman of the British Airports Authority plc, has confirmed to me that BAA already operates a voluntary acquisition programme for houses seriously affected by noise from BAA airports, whereby those home owners who wish to sell are bought out for an amount equivalent to the unblighted value of their homes. Ironically, that power was made possible only by the Government's action in privatising the British Airports Authority. It would be sad and paradoxical if, having introduced those powers in relation to civil aircraft, the Government resisted introducing similar powers to cover those who are equally seriously affected by railway noise.

Sir Norman Payne confirmed in his letter that injurious affection compensation was payable. In respect of what new works is it payable by BAA? My hon. Friend the Minister may be under the impression that injurious affection compensation is payable only where there is the equivalent of new track—a new runway or an extension of an existing runway.

Sir Norman Payne confirmed that BAA is willing to pay injurious affection compensation where new works stop short of a new runway or an extension of an existing runway. As that point is fundamental, I hope that the House will forgive me if I read the key sentence in Sir Norman Payne's letter, and I ask hon. Members to consider in particular the end of that sentence. Sir Norman Payne said:

"With regard to injurious affection compensation BAA's airports, in common with all other airports in the United Kingdom, are liable to pay compensation under the Land Compensation Act 1973 where the value of property has diminished as a result of physical factors, including noise, vibration, smell, fumes and artificial lighting, resulting from any works at the airports which involve the construction, realignment, extension or strengthening of an existing runway"—

and this is the crucial passage—

"or substantial additions to or alterations of taxiways or aprons where those additions or alterations are designed to provide facilities for a greater number of aircraft."

5.45 pm

In other words, injurious affection compensation is triggered by new works which may necessarily fall short of a new runway or an extension to an existing runway but which provide facilities for a greater number of aircraft. Those of us who tabled new clause 16 argue strongly that that is precisely the position with which we are dealing —major new works which provide facilities for much greater use of railway lines by international trains.

I turn to the defence sector and military aircraft. I can speak with a little first-hand experience because I was Minister of State for the Armed Forces when the Ministry of Defence had to deal with this problem in relation to military aircraft. A massive increase in noise was predicted at an airfield, resulting in those with homes nearby finding the value of their homes if not destroyed, at least seriously

reduced. The airfield was RAF Leeming in north Yorkshire, which at that time was a training airfield, deploying Bulldog basic trainers and Jet Provost trainers, which are the first trainers used in converting to flying jet aircraft. They are relatively small and not particularly noisy aircraft.

It was decided to use RAF Leeming as one of the main operational bases for Tornados in this country. That occasion mirrored the present situation with channel tunnel trains. A new type of aircraft was deployed, with much longer hours of operation and causing much greater noise disturbance.

The House will not be surprised to hear, perhaps, that our policy response was precisely the same as the provisions in new clause 16. We introduced a voluntary acquisition scheme for owners of those houses most seriously affected by noise and injurious affection compensation. I am glad to be able to tell the House, because of written answers given to me by my successor, the present Minister of State for the Armed Forces, that the principles that we applied to RAF Leeming have been applied to a considerable number of other RAF airfields where the same problem has arisen. On 3 June, my hon. Friend the Minister said that the voluntary acquisition scheme applied at Stornoway, Leeming, Upper Heyford, Fairford and Yeovilton and that injurious affection compensation applied at Upper Heyford, Leuchars, Cottesmore, Coningsby, Marham, Wattisham, Honington, Leeming and Yeovilton.

What new works triggered an entitlement to injurious affection compensation at RAF Leeming? There was no new runway or extension to the existing runway. There was no new taxiway or new apron. The new works were of a different variety, but they still triggered an entitlement to injurious affection compensation.

I hope that I have been able to show that the principle in new clause 16 is well precedented in relation to aircraft and we should draw the parallel with a passing aircraft. There is a precedent for a voluntary acquisition scheme at the unblighted value of a property. There is a precedent for the operation of an injurious affection compensation scheme where there is intensification of existing use accompanied by new works, but where those works do not necessitate the construction of a new runway or railway track.

Although the Department of Transport may claim that the principle is difficult and dangerous, we are asking the Department and British Rail to accept the same degree of responsibility for folk, the value of whose houses may have been devastated, as is already accepted by the operators of civil airfields and by the MOD.

Ultimately we must consider the individuals concerned. We must ask whether it is fair and reasonable with regard to a channel tunnel project that is required in the national interest, that relatively small numbers of people should have the value of their main asset destroyed or substantially reduced as a result of the construction of that project and the proper utilisation of the tunnel by rail traffic. We believe that that is unreasonable. The Government must act to ensure that that injustice is rectified. Justice would be done under new clause 16 and therefore I hope that the House will support it.

C+RL.

(1) Policy Chairs way forward is vigorous + may well be right (I've seen no better idea).

I'd like to discuss with M/c Rifkind, Howell, Lamont plus Chris Patten + Richard Ryder. [But start with the Chancellor alone].

(2) In meantime, an official group shd. examine desirability of each route — as speedily as possible.

(3) Policy Chair shd. advise on presentation. How can we build up the logic of our approach? I'm content for Cabinet to discuss the preferred approach / he recommends & my preference in all the circumstances + see what reaction he gets from colleagues.

(4) But a word first with Parkinson or Brittan, on the phone.

BP QV

10 DOWNING STREET

Prime Minister (1)

The attached note from Roger Freeman sets out possible options for some form of compensation for noise from Channel Tunnel traffic.

The way forward must be for DTp to decide what priority this does for them & to discuss options and finance with HMT - leading to a PES bid, if they so decide.

Content to proceed in this way?

RHP
31/7

PO

THE DEPARTMENT OF TRANSPORT

MINISTER OF STATE

FROM THE MINISTER FOR PUBLIC TRANSPORT

Dominic Morris Esq
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

2 MARSHAM STREET LONDON SW1P 3EB
TELEPHONE 01-276 3000

My Ref:

Your Ref:

30th July 1991

Dear Mr Morris

Following the Prime Minister's meeting with Sir John Stanley and a group of Kent MPs last Friday to discuss compensation for noise from Channel Tunnel traffic, Mr Freeman undertook to provide the Prime Minister with further briefing which I enclose.

Yours sincerely

Alison Bow

Miss A J Bow
Assistant Private Secretary

BRITISH RAIL FREIGHT LINES TO THE CHANNEL TUNNEL

COMPENSATION FOR INTENSIFICATION OF USE

Introduction

1. After his meeting on 26 July with Sir John Stanley and other Kent and South East London MPs, the Prime Minister asked for further background briefing, to include consideration of the options open to the Government and their implications. This note

- explains which railway lines are affected and the expected changes in the numbers of trains after the Channel Tunnel opens;

- explains what the existing law requires to be done and what it does not cover;

- considers possible options for action.

Summary

2. There is no problem where a new railway line is constructed or an existing line is widened; in both cases there is (or will be when new noise regulations have been made) a right to noise mitigation measures and to compensation under the Land Compensation Act for loss of value. Railways in that respect are in exactly the same position as roads or other public works.

3. But it is a well-established principle enshrined in the Land Compensation Act that compensation is not payable solely on the grounds of intensification of use, for example if traffic using a residential street increases because of a traffic management scheme. Nor is there any entitlement to noise insulation. This is the situation about which Kent Members are concerned.

4. There are 5 possible options:

(a) to stand on the existing policy and law that there is no compensation for intensification of use of any public works - and that railways are no different in this respect from roads.

(b) To amend the law to entitle people to noise insulation and for compensation[1] for intensification of use of any public works including roads and railways. This would be the most popular course of action but would be likely to be very expensive, particularly for local highway authorities. The rights might be limited to particular circumstances (e.g. to increased noise at night) which might be much less expensive. In the past the Government has set its face against such a change.

(c) To amend the law to require insulation (and possibly also compensation[1] for loss of value) where railway lines are used more intensively but not roads. This would be difficult to justify and would distort competition between road and rail. It might not be possible to hold the line during the passage of the legislation through Parliament. It would be contrary to the spirit, and possibly the letter, of EC law on railway finance, unless BR were compensated by the Government.

(d) To make non-statutory ex gratia arrangements for sound insulation in respect of the freight lines to the Channel Tunnel. This would be less expensive but might still cost some £20-30 million. If compensation[1] for loss of value were included the figures would be even higher (we do not know by how much, short of a special survey). It might be impossible to resist claims for similar treatment elsewhere (e.g. on freight lines near ports and power stations). It would eat into the (not very large) profits of BR's Channel Tunnel freight operation and would require an increase in

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(1) Compensation might include the right to require blighted property to be purchased in advance.

their EFL. Since the higher costs would have to be passed on to freight users, it could have the effect of causing more freight to go by road and less by rail. The railways might insist on a formal direction which could trigger the EC compensation arrangements mentioned above.

(e) Trying to get at least part of the cost of sound insulation met by local authorities. This runs against the "polluter pays" principle but may be a practicable way forward on at least some stretches of the route where the local authorities are said to be interested. It is worth exploring further.

The routes affected

5. The attached map shows the routes to be used by international trains between the Channel Tunnel and Central London. The route to be followed by passenger trains is the main present passenger route between London, Folkestone and Dover and is a busy route. The routes to be followed by the freight trains are generally rather quieter. On the southern freight route the Redhill-Tonbridge section is the quietest of all the routes affected. During morning and evening peak periods one or two passenger trains will also use the northern freight route Bickley-Swanley-Maidstone-Ashford. To start with all passenger trains will go to and from Waterloo. In due course a few will bypass a London terminus branching off at Brixton to run through Clapham Junction and Olympia to the North.

6. Freight trains will all run to and from Wembley, which will be a train marshalling centre. There incoming trains will if necessary be divided into two or three before proceeding to their final destination.

7. Figure 1 (taken from a Kent County Council paper) shows for each section of the routes in Kent, and on a 24 hour basis, the numbers of trains running in 1990 (both directions taken together) and the number expected to be running in 1995. The increase will not occur completely over night when the Channel Tunnel opens in

1993. But the numbers are likely to build up very quickly in a matter of a few months. Depending on traffic growth, the number of trains could increase further over the following years until any new rail link between the Channel Tunnel and London is built. But even then some or all of the freight trains, depending on which rail link route is selected, will continue to use the existing lines as shown on the map.

8. Figure 2 shows, again for Kent only, the comparison between 1990 and after the opening of the Channel Tunnel of the number of trains running at night (2300-0700 hours) over each section of the route, divided between passenger and freight trains. Three quarters of the additional trains expected to be running at night within a few months of the Channel Tunnel opening will be freight trains. Many of the freight trains running at night on these routes in the past couple of years or so have been carrying material required for the construction of the Channel Tunnel; this traffic is already dying down, and is not therefore included in the 1990 figures.

9. All the international trains will be electric-powered, whereas the freight trains using these lines at present are hauled by diesel locomotives, which are noisy. Stringent noise standards have been built into the specifications for the international passenger and freight rolling stock. British Rail are replacing all remaining jointed rail on the routes by continuous welded rail, to reduce noise.

10. Nevertheless, there will be a noise from wheel on rail, and there will be aerodynamic noise as the trains pass. There is particular public concern about the freight trains, because they will make up most of the night traffic, they will be long (perhaps as much as 700 metres long, compared with 400 metres for the passenger trains, which is still considerably longer than domestic trains) and on the basis of existing rolling stock freight trains are widely regarded as being noisier than passenger trains.

What the law requires to be done now and what is already proposed to be required

11. Compensation can be claimed for depreciation in the value of land caused by physical factors (including noise) resulting from the use of new or altered public works. Claims are made against the responsible authority and may normally only be made 12 months after the works first come into use, though anyone who sells during that 12 months can register a claim before selling. British Rail do not consider that the works being carried out on existing lines which are to carry international services are such as to give rise to claims for compensation.

12. There have been since 1973 statutory regulations providing for insulation of homes which will suffer predicted noise above a specified level, under defined circumstances, when a new road is constructed or an existing one is altered. The Secretary of State for Transport intends to make similar regulations in respect of new railway lines during the course of the coming months. These proposed regulations would then apply, for example, to any new Channel Tunnel rail link that may be built. The practical effect of these regulations is that the designers of roads (and in future of railways) aim to mitigate the noise from the new road as much as possible by its design (eg placing sections in cutting) or by erecting noise barriers. If, despite these measures, a house would suffer greater noise than the level specified in the regulations, it would be eligible for insulation at the expense of the highway authority. The new regulations will impose a similar obligation on British Rail and other railway operators.

What the law does not cover

13. The existing law does not provide for any compensation to be paid solely because an existing railway (or road or other public work) is used more intensively.

14. Similarly, the existing road noise insulation regulations apply to new or altered roads only. They do not apply where an

existing road becomes used more intensively, no matter what the level of noise that may result. The proposed rail noise insulation regulations will similarly not apply to the more intensive use of existing railways.

15. The background to this is that successive governments have taken the view that those who purchase property near existing roads or railway lines must know that traffic can go up or down for a number of reasons and that there was no justification for compensation or insulation to be provided.

16. Compensation for depreciation cannot be claimed by anyone who sells a property before the works concerned have come into use.

Some options for consideration

17. Regardless of whether any of the statutory powers described in paragraphs 11-12 above are to be applied, or whether some form of ex-gratia compensation is contemplated, a scheme would have to be devised in order to ensure fairness of application. A number of questions would have to be settled, in particular:-

(i) Should the scheme apply to owner-occupied homes only?

(ii) Should there be a specified noise level, so that people would only be eligible for compensation if their homes were going to be exposed to a predicted noise above that level; and if so what should that noise level be?

(iii) What railway routes would be eligible; in particular, how far into London should the scheme apply? (Beyond London international trains, mostly freight, would fan out over several already well used routes, so the impact of any additional noise would be relatively small, and those routes could therefore be ignored).

(iv) Could the scheme in equity be confined to the routes taking the Channel Tunnel trains? What about other railway lines that see a marked and sudden increase in traffic? There are unlikely to be many, but there will probably be a few, to judge by past experience.

(v) Over what period should any scheme apply?

(vi) Who should meet the cost? On the "polluter pays" principle and the principle underlying existing compensation law, it should be BR. But BR are in no position at present to cope with additional unforeseen costs that may be significant. There seems no case for the taxpayer to meet the cost; and the Secretary of State for Transport has no power to do so.

(vii) If BR had to bear the cost of any scheme, they would have to recoup it from higher charges to users. Since there would be no equivalent liability in respect of the more intense use of roads, including roads leading to the Channel Tunnel, and road users would therefore not have to meet any additional costs, British Rail would be put at a commercial disadvantage which, at any rate at the margin, could conflict with the Secretary of State for Transport's wish to encourage more traffic, particularly freight, off the roads on to railways.

(viii) Any concessions made in respect of the Channel Tunnel rail routes would be bound to give rise to pressure for equal treatment for people living near existing roads carrying traffic from the Tunnel.

18. The following options could be considered. There may be others worth consideration.

(a) <u>Noise mitigation</u>. This would entail the installation of noise barriers or provision of insulation measures for

individual homes where the predicted noise level in 1993, and the increase in noise as compared with the present day, would be above certain specified levels. This is what British Rail and Kent County Council are exploring. But, though those measures, once taken, might put back some of the lost value in a person's home, it would do nothing to help those who need or wish to move home before the noise mitigation measures are implemented, which could be anything up to 2 years away. It would not satisfy Sir John Stanley and his colleagues.

(b) Monetary compensation for the drop in the value of someone's home attributable to the prospective advent of the Channel Tunnel trains. It could be difficult to determine, not least to people's satisfaction, how much of any fall in the value of their home was attributable to that factor and how much to others such as the general recent decline in house prices. That is why in the case of roads, claims cannot be made until after the road has opened to traffic.

(c) Buy people out. If they need or want to move home and can substantiate a claim that either they cannot sell their home or they can sell it only at a greatly reduced value, and that that is entirely or partly attributable to the prospect of the Channel Tunnel trains.

(d) A combination of b and c.

Costs

19. We have very few indications of the possible costs of any of these schemes, and it would probably require a special survey to establish likely orders of costs, once the parameters of a scheme had been defined.

20. As regards protection against noise only ((a) above), consultants commissioned by Kent County Council last year estimated a cost of £3.8m, on certain assumptions about noise standards, in respect of homes alongside the routes in Kent only. Bromley LBC, applying the same standard, estimated a cost of £14-20m for the entire routes, though it is not entirely clear how far into London they were assuming the scheme should apply. BR's preliminary assessment is that the cost might be in the order of £30m, taken through to Waterloo and Wembley. The Department believes the Kent consultants' figure is probably too low, and that Bromley's estimate may be in the right region. But a more thorough survey would be needed to establish a firmer estimate.

21. For compensation (whether (b), (c), or (d) above) we have no estimates at all. It would be extremely difficult to get any worthwhile estimate without commissioning a special survey.

Railways Directorate
Department of Transport
30 July 1991

718.drf

INTERNATIONAL RAIL ROUTES 1993

ESSEX

WEMBLEY

WATERLOO

OLYMPIA

BRIXTON

CLAPHAM JUNCTION

SHORTLANDS

SWANLEY

BICKLEY

EAST CROYDON

ORPINGTON

OTFORD

MAIDSTONE EAST

SEVENOAKS

KENT

REDHILL

SURREY

PADDOCK WOOD

TONBRIDGE

CHANNEL TUNNEL

ASHFORD

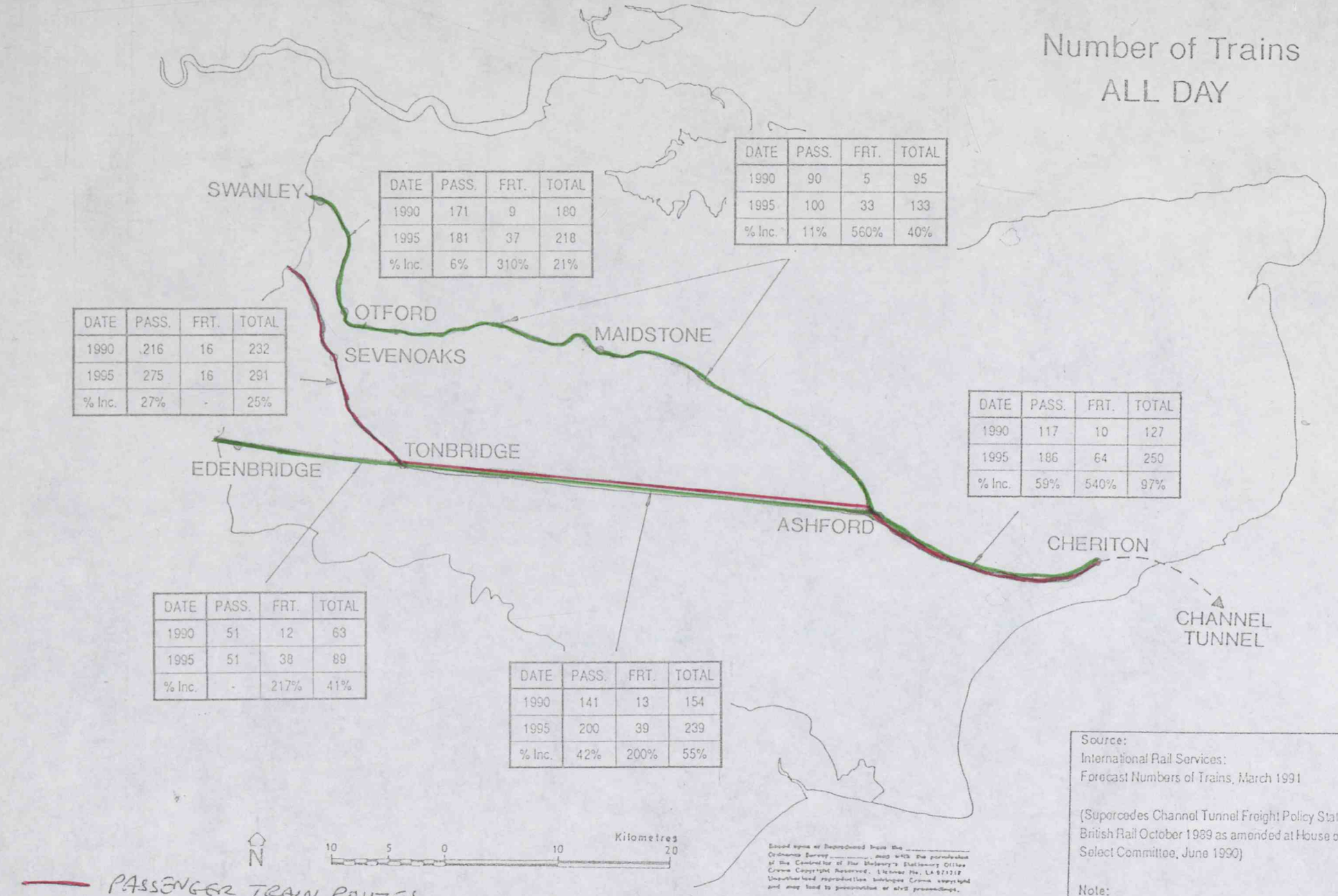
WEST SUSSEX

EAST SUSSEX

PASSENGER TRAIN ROUTE

FREIGHT TRAIN ROUTE

Number of Trains
ALL DAY



DATE	PASS.	FRT.	TOTAL
1990	171	9	180
1995	181	37	218
% Inc.	6%	310%	21%

DATE	PASS.	FRT.	TOTAL
1990	90	5	95
1995	100	33	133
% Inc.	11%	560%	40%

DATE	PASS.	FRT.	TOTAL
1990	216	16	232
1995	275	16	291
% Inc.	27%	-	25%

DATE	PASS.	FRT.	TOTAL
1990	117	10	127
1995	186	64	250
% Inc.	59%	540%	97%

DATE	PASS.	FRT.	TOTAL
1990	51	12	63
1995	51	38	89
% Inc.	-	217%	41%

DATE	PASS.	FRT.	TOTAL
1990	141	13	154
1995	200	39	239
% Inc.	42%	200%	55%

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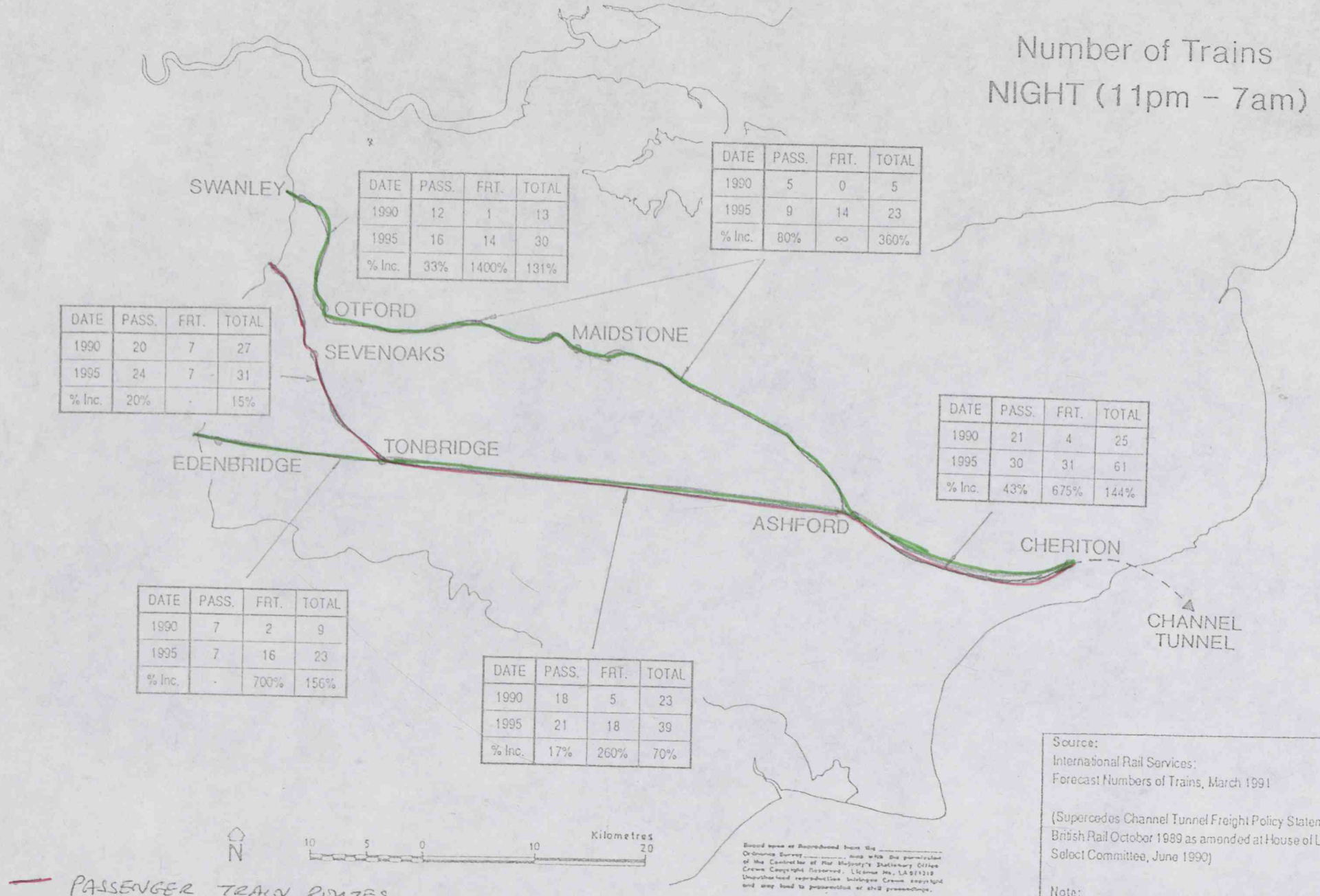
Source:
International Rail Services:
Forecast Numbers of Trains, March 1991

(Supercedes Channel Tunnel Freight Policy Statement, British Rail October 1989 as amended at House of Lords Select Committee, June 1990)

Note:
1990 flows omit Channel Tunnel construction trains, which will be phased out by 1993

Figure

Number of Trains
NIGHT (11pm – 7am)



DATE	PASS.	FRT.	TOTAL
1990	12	1	13
1995	16	14	30
% Inc.	33%	1400%	131%

DATE	PASS.	FRT.	TOTAL
1990	5	0	5
1995	9	14	23
% Inc.	80%	∞	360%

DATE	PASS.	FRT.	TOTAL
1990	20	7	27
1995	24	7	31
% Inc.	20%	-	15%

DATE	PASS.	FRT.	TOTAL
1990	21	4	25
1995	30	31	61
% Inc.	43%	675%	144%

DATE	PASS.	FRT.	TOTAL
1990	7	2	9
1995	7	16	23
% Inc.	-	700%	156%

DATE	PASS.	FRT.	TOTAL
1990	18	5	23
1995	21	18	39
% Inc.	17%	260%	70%

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Source:
International Rail Services:
Forecast Numbers of Trains, March 1991

(Supercedes Channel Tunnel Freight Policy Statement, British Rail October 1989 as amended at House of Lords Select Committee, June 1990)

Note:
1990 flows omit Channel Tunnel construction trains, which will be phased out by 1993

Figure 2

c:\wpdocs\economic\channel.dca

PRIME MINISTER

Pl. give me to take away on Thurs. f.

CHANNEL TUNNEL RAIL LINK

I attach the report from Policy Unit which you commissioned from Jonathan Hill last Friday. (A note from Mr. Freeman on compensating those affected by the upgrading of the existing lines is expected shortly.)

The Policy Unit note is brief but thorough. It sets out the economic arguments; the political considerations; and then suggests a possible way forward.

Policy Unit confirm there is no economic justification for building the CTRL at present. It is a risky project. There are huge uncertainties surrounding the forecast of demand. There are also risks on the capital costs: if undertaken within the public sector there would almost certainly be huge costs overrun. It is better that the enabler/provider roles are both within the private sector, before this project is contemplated.

Policy Unit conclude that it is better to leave the decision on whether to build the rail link to the private sector i.e. post-privatisation of BR. I very much agree.

But the Policy Unit note also brings out the difficult political judgements that need to be taken into account. Policy Unit see the way forward as:

- an announcement that the Government propose to leave a decision on whether or not to build the CTRL to the private sector, i.e. BR post-privatisation; but ✓

- in order to resolve the planning blight, to designate now one route for the CTRL; and ✓

- on balance, designate the Ove Arup route. ✓

It is a nicely judged package. The Chancellor sees off the project itself for many years (and forever as a public sector venture). Mr. Rifkind gets a route selected and thus the presumption of an eventual go-ahead. Mr. Heseltine gets his much-cherished route to open up the East Thames corridor.

But you still need to ask some fundamental questions.

- Is it right to create the presumption of an eventual go-ahead? While the Kings X terminal helps, the time gain on the Ove Arup route to Waterloo is just 12 minutes. Rather little for £3 billion investment at any time.

- Is it right to take a decision on the route - perhaps five years or even a decade away from a go-ahead on the link itself?

- Will the Ove Arup line choice distort other locational-investment decisions in the meantime? Its attraction to the Government now is in removing planning blight in Kent. But the Ove Arup route will generate its own distortions - people seeking to keep land back from use till the link increases its value.

If you accept Policy Unit's judgement that one route should be designated (presumably in the Autumn?) I think further work would still be necessary over the summer. You cannot decide on a route without further analysis - so complex are the issues and so preliminary the calculations of cost, time savings, benefits etc.

I favour such further work. We need to know more about the relative merits of routes. But for the reasons set out above in my view it should be without prejudice to a final decision on whether to safeguard any route at this stage.

i) Content to propose that an official group should look further at the desirability of each route (without

prejudice to any final decision on whether to designate a route); or

ii) Want to give a more positive steer in favour of the Ove Arup route at this stage?

BARRY H. POTTER
30 July 1991

PRIME MINISTER

30th July 1991

CHANNEL TUNNEL RAIL LINK

After you met Kent MPs on Friday, you asked Jonathan for two notes: one dealing with the case for compensating those affected by the upgrading of the existing lines from Waterloo to the Tunnel, the other on the argument for building a new dedicated Channel Tunnel Rail link (CTRL). The first is being provided by Roger Freeman and officials. The attached note, therefore, deals solely with the second. It does not aim to provide all the detail, but rather to give you a feel for the broad issues and the options available to you, and to identify what seems to Jonathan and me the best way through.

A brief History in PM's box

Sarah

SARAH HOGG

028.sh

PRIME MINISTER

MEETING WITH SIR JOHN STANLEY AND KENT MPs

You are meeting Sir John Stanley and a number of Kent MPs tomorrow at 1200.

Although they have come to talk about Channel Tunnel rail lines, the meeting is not about the route for a new link. Rather, they are concerned about compensation for those who live next to the existing line - once more intense usage adds to the noise and other environmental effects.

As is customary, we requested briefing from the Department of Transport. The line to take which arrived this morning was utterly useless: I asked Jonathan Hill to provide a further note. He has spoken to Roger Freeman - he will provide support tomorrow.

I am sure you will wish to stick to Jonathan's more positive and logical approach. But you must of course avoid any commitment to the particular course of action which Mr Freeman advocates. That would trap the Treasury.

Also attached is the original DTP briefing. Only the background note is in any way useful - please avoid the ludicrous line to take provided!

BTP

BARRY POTTER

25 July 1991

jd c:\wpdocs\economic\stanley

Andrew/.
(Essex of each road).

Preparation.

(I) Existing policy.

(II) Equity.

Thor.

Not necessarily cost.

Keith/.

Sound proofing.

V. clear. U/stand the case.

Mark/.

Action package.

Ted/. 1. Massive Tr.
2. Blight.

4 categories.

Bob/.

Routes ann.
before election.

Gerry/. Are alternative routes.

Roger/. Cycle / bridleway.
Town.

Roger/.

Decision deferred
- unfortunate.

hvedivious

CHANNEL TUNNEL RAIL ROUTES: NOISE

MEETING BETWEEN THE PRIME MINISTER AND THE RT HON SIR JOHN STANLEY MP

GENERAL LINE TO TAKE

- Have considerable sympathy with those who live near existing railway lines and who are concerned about the likely effect on them when the Channel Tunnel opens in 1993.

- Policy is that those who buy property near a road or a railway do so in the knowledge that traffic may increase and that compensation is not payable.

- Agree that in the case of Channel Tunnel traffic using railways, the increase will be unusually large and sudden.

- But the cost of any ex-gratia compensation could be very significant.

- If there were an ex-gratia scheme, the taxpayer should not be expected to pay for it; the cost would normally fall to the responsible authority, in this case BR. Regrettably BR's financial situation too difficult to enable them to take on an unquantified, open-ended liability which could have repercussions for other railway lines.

DEFENSIVE BRIEFING

Blight

- fully understand the strong feelings held by many Members.

- numbers of trains will increase, especially at night, but new international trains will be much quieter than existing trains.

Defeated Planning and Compensation Bill amendment

- represented a significant and potentially very expensive change in policy which would in fairness have to extend to roads and other public works.

- concept of the Government rather than British Rail acquiring properties or paying compensation would have breached the principle that any compensation should be paid by the responsible authority.

Non-statutory scheme for compensation

- difficult to define and ring fence.

- local authorities are asking for noise protection measures rather than compensation. BR and Kent CC are currently discussing the possibility of establishing a non-statutory scheme for noise protection measures.

Compensation by operators of other public works

Military airfields

- MoD operates by analogy with provisions of Land Compensation Act 1973, but is not bound by them and is at liberty to go beyond them if it wishes.

- in 1985 MoD Ministers decided to depart from the provisions of the Act as regards voluntary and compulsory acquisition of land. Purchases are made on the sole criterion of the amount of noise experienced in an area.

Civil airfields

- BAA is bound by the provisions of the 1973 Act.

- in addition, privatisation enabled BAA to offer, over a 2 year period up to December 1988, to purchase properties affected by severe levels of aircraft noise near airports. Only a handful of properties at Heathrow, and none at Gatwick, qualified.

Works are being carried out to facilitate intensified use

- BR do not consider that these works (resignalling, raising bridge heights etc) legally entitle people to compensation.
- but that is BR's view, and it is for the Courts to determine whether any of those affected can claim any entitlement to compensation under the existing provisions of the Land Compensation Act.

Costs

- compensation should be paid by BR - "the polluter pays" principle.
- no estimate produced of the likely cost of compensation along existing lines to the Channel Tunnel. (But sums could be very significant.)
- neither taxpayer nor BR ought to be asked to accept a blank cheque of this kind.

BACKGROUND

1. Sir John Stanley has recently been pressing for the compensation and voluntary acquisition provisions described in paragraphs 1 and 2 of Annex 1 to be extended to the loss of value of homes in his constituency which are likely to be affected by the increased use of existing railway lines to the Channel Tunnel when it opens in 2 years time. (BR's latest figures show that the total number of daily freight train movements between Redhill and Tonbridge is then scheduled to increase from 12 to 28, which includes an increase from 2 to 16 at night.) Sir John tabled during the Report stage of the Planning and Compensation Bill an amendment which would have extended the coverage of compensation powers by conferring upon the Secretary of State for Transport discretionary powers to acquire land by agreement and to pay injurious affection compensation where there was an intensification of operations by or in connection with the activities of the British Railways Board. The amendment was defeated on a Division by 255 votes to 180, but Sir John had the support of most other Kent MPs.

2. Kent County Council is also concerned about the effects of Channel Tunnel services on existing railway lines through the county. The Council has not, however, pressed for compensation, but has argued for the proposed Noise Insulation Regulations for railways (see paragraph 3 of Annex 1) to be applied not only to new lines but also to the intensified use of existing lines. Kent has also suggested noise protection measures.

3. Transport Ministers have not been prepared to accept the arguments for compensation, acquisition or insulation provisions to be applied generally in the case of intensified use of existing railways. No firm estimates of cost are available for the first two categories, because the number of properties likely to be affected is not known. However, in the case of insulation of properties adjoining lines to the Channel Tunnel it is anticipated that costs could be as much as £30m, and far higher with the inevitable read-across not only to other railway cases (eg increased freight services) but also to roads. Ministers nevertheless feel some sympathy with those whose homes will be affected by increased railfreight traffic with the opening of the Channel Tunnel, and earlier this year the Minister for Public Transport approached the Chief Secretary about the possibility of BR providing a non-statutory noise insulation scheme limited to such premises, the expenditure implications being taken into account in considering BR's external funding requirements over the next 2 years. However, in the absence of a more precise estimate of the cost and in view of the potential read-across (for example, in the context of the report by the DOE Noise Review Working Party, which made general recommendations for compensation/insulation to be provided in cases involving intensified use of existing railways and roads) the Chief Secretary was unable to agree.

4. Transport Ministers' efforts have since therefore concentrated on encouraging BR and local authorities to see what might be achieved by discretionary noise protection measures (paragraph 4 of the Annex)to ease the situation of those likely

to be worst affected by the increase in total railway noise resulting from extra trains on the Channel Tunnel routes. The Minister for Public Transport recently agreed with the Chairman of British Rail that BR should discuss with Kent County Council what could be done to implement the Council's proposals for protecting against noise homes along the Kent stretches of the lines. Talks are under way, and BR would be willing to discuss similar arrangements with any other local authority (eg London Borough of Bromley) which has inhabitants similarly affected. It remains to be seen whether BR and local authorities can reach any agreement about funding such a scheme between themselves. If they cannot, it may be necessary for the Government to reconsider the question of funding.

Noise insulation, compensation/purchase of property, noise protection

1. Part I of the Land Compensation Act 1973 provides for injurious affection compensation for depreciation in the value of property caused by the use of new or altered roads, railways or other public works. Intensification of existing use is ruled out as a ground for claims (unless, in the case of aerodromes only, associated with specific alterations to infrastructure). Claims are made against the responsible authority and may normally only be made 12 months after the works first come into use, although if the owner has contracted to sell the property before that date he may make an earlier claim. Depreciation is assessed in relation to property prices at the date of the claim.

2. Part II of the 1973 Act provides for the acquisition by agreement of land, the enjoyment of which is seriously affected by the construction or alteration of public works, or by the use of any public works where the responsible authority is authorised to acquire land for the works either compulsorily or by agreement. Again, this provision does not apply in respect of intensification of use.

(The Planning and Compensation Act 1991 extends the acquisition powers contained in Part II of the 1973 Act by bringing forward the earliest date on which land can be acquired (whether it stands to be affected by the construction or the use of the works) to the point at which the statutory blight procedure applies in relation to land actually required for a scheme.)

3. Part II of the 1973 Act also provides for a duty to be imposed (by Regulations) on responsible authorities to insulate buildings against noise caused by the construction or use of public works, or to make grants for such insulation. Existing Regulations apply only to the insulation of dwellings against noise from new highways. The Government plans to make similar Regulations in respect of noise from new railway lines. These Regulations do/will not apply in cases of intensification of use of existing highways or railways.

4. It is always open to responsible authorities at their discretion to take noise protection measures to cut down the noise from the operation of their works.

Current compensation provisions relating to alteration of public works and change of use

Highways

1. A highway is "altered", for the purposes of eligibility for compensation under the Land Compensation Act 1973 for depreciation in the value of property, if the location, width or level of the carriageway is altered, other than by resurfacing, or if an additional carriageway is provided. Depreciation relates to depreciation by physical factors which are caused by the use of the length of carriageway which has been altered or of the additional carriageway, and whose source is on the length of carriageway concerned.

Other public works

(1) Aerodromes

2. An aerodrome is "altered", for the purposes referred to in paragraph 1 above, only if the alterations are runway or apron alterations, which are defined as the construction of a new runway; the major realignment , extension or strengthening of an existing runway; or a substantial addition to, or alteration of, a taxiway or apron, where the main purpose is the provision of facilities for a greater number of aircraft.

3. BAA plc is bound by the 1973 Act, but, as a private company, is free to take such additional measures as it sees fit. The company in fact operated a voluntary scheme for the purchase of noise blighted properties near Heathrow and Gatwick airports for a period of two years up to December 1988. Only a handful of properties at Heathrow, and none at Gatwick, came within the criteria.

4. MOD, though exempt from the provisions of the 1973 Act, originally operated a compensation scheme and voluntary and compulsory purchase schemes by strict analogy with the Act. However, following a policy review in 1985, Defence Ministers decided to go beyond the 1973 acquisition provisions by offering to purchase houses subject to exceptionally high noise levels and by compulsorily purchasing those where even higher levels were involved.

(2) Railways

5. The 1973 Act contains no specific reference to railways, which are therefore covered by references to public works other than highways and aerodromes. Such works are "altered", for the purposes of the Act, where they have been reconstructed, extended or otherwise altered after they have first been used or where thee has been a change of use (but change of use does not for this purpose include the intensification of an existing use).

6. It is for British Rail to consider the extent to which any

alterations to existing railway works may come within the above terms; their view is that the works being carried out to existing lines in preparation for the opening of the Channel tunnel do not give rise to any entitlement under the 1973 Act. They argue that the railway legislation authorising the works also authorises their use to maximum capacity.

32/1/07

8 1977

Mrs Thorn,
This meeting may be on 26 July. JSS 16/7

Mr Hall. Mr Freeman said he had spoken to the No 10 Policy Unit about this. 5/7 JSS 10/VII

Fellis – For info.
cc PS/All Ministers
PS/Mr Brown
Mr Coates
Miss Samuel
Mr Miller.

HOUSE OF COMMONS
LONDON SW1A 0AA

2 July 1991

The Rt Hon John Major MP
10 Downing Street
London SW1

Dear Prime Minister.

I am sorry to have to request a little of your precious time but a number of us with constituencies in London, Kent and Surrey are very concerned that the Government and British Rail should deal fairly with those whose homes are alongside the designated existing rail-routes to the Channel Tunnel. These people have already found the value of their homes - invariably their main asset - substantially, if not wholly destroyed, by the prospect of the Channel Tunnel trains day and night in 2 years time. As you will know, some of us felt we had no alternative but to divide against the Government in support of a New Clause on this issue during the remaining stages of the Planning and Compensation Bill.

We believe that there is an overwhelming case, not only on grounds of equity but also on grounds of consistency with the principles of existing compensation policy, for compensation to be made available to those badly affected, and we should be most grateful for an opportunity to put the case to you.

In addition to myself, the following colleagues on the Government side may wish either to attend the meeting or to give you their views separately in their constituency capacities:

Jacques Arnold
Jim Couchman
Bob Dunn
Peggy Fenner
George Gardiner
Philip Goodhart
Edward Heath
Michael Howard
John Hunt
Patrick Mayhew
Roger Moate
Andrew Rowe
Roger Sims
Keith Speed
Ivor Stanbrook
Ann Widdecombe
Mark Wolfson

Yours ever

John

PRIME MINISTER **25 JULY 1991**

MEETING WITH SIR JOHN STANLEY AND KENT MPs

You are seeing John Stanley at noon tomorrow (July 26th). Roger Freeman will also be present. Other MPs attending are:

Edward Heath
Ivor Stanbrook
Roger Sims
Gerry Bowden
Mark Wolfson
Keith Speed
Andrew Rowe
Roger Moate
Bob Dunn.

Their concern is a simple one: the opening of the Channel Tunnel in 1993 will lead to an enourmous increase in the number of passenger and freight trains running through their constituencies - particularly at night-time. (The total number of freight train movements between Redhill and Tonbridge is scheduled to increase from 12 to 28 per day. Of those, night-time movements are set to rise from 2 to 16.) As a result, houses next to the railway lines have been blighted.

Back in June, John Stanley introduced an amendment to the Planning and Compensation Bill, which would have resulted in a statutory scheme of compensation for those affected by blight. Roger Freeman tells me that Sir John has now conceded that he has lost the argument for a statutory national scheme and that all the Kent MPs would now settle for an "ex-gratia" scheme run by BR.

Meanwhile, BR have been talking to Kent County Council to see whether they can together design a scheme to build noise

barriers along the route. (Kent CC want noise barriers to be built.) Mr Freeman believes that many of the Kent MPs would be satisfied if they succeeded in having noise barriers built. Some want insulation grants to be made available. A hard core also want ex gratia compensation payments to be made to those worst affected.

One of the difficulties we have is that no one appears to know what the cost of compensation might be. The cost of installing noise protection measures is however put at £10-20 million by officials (although BR put it at £30m). Whatever the precise cost, it would obviously need to be found by the Treasury as part of the PES round.

Roger Freeman is keen to draw a line between picking up the tab for building noise barriers and paying compensation for blighted property. He is sympathetic to the former, and hopes that at the meeting with MPs you will say that you would like him to discuss with the Treasury how BR could fund the building of noise barriers.

Line to take

You will want to listen sympathetically to what John Stanley and colleagues have to say. There is no doubt that the opening of the Channel Tunnel and the much heavier weight of traffic on the railways is going to have a significant impact on those living next to the lines. (If I were them, I would certainly flag up the Citizen's Charter angle on this pointing out that we are supposed to be protecting the individual against the nationalized industries.)

You could say that you intend to take a personal interest, and ask Roger Freeman to keep you in close touch with developments.

You could ask for more information on what the costs would be of the various options.

Roger Freeman hopes that you may say that you want him to talk to the Treasury as part of the PES round about the resources that BR might need to pay for the noise protection measures. I can see why he wants you to do this, but however you phrased it, there is obviously a danger that it would be written up by the MPs as being a commitment to the principle of paying for noise barriers. So although I am sympathetic to the case made by John Stanley and his colleagues, you probably won't want to go that far at this stage - given that we do not yet know what the cost might be, and given the overall public expenditure pressures.

Channel Tunnel Rail Link (CTRL)

Kent MPs are said to be disappointed that no decision has yet been announced on the CTRL. They want to be able to end the uncertainty.

DTp's public line has been that we will announce our decision as soon as possible, and I see no reason why we cannot stick to that.

You may be asked why there has been a delay. I think the answer to that is that BR's original work had some holes in it, and that we need to plug those holes if we are to make a well-informed and soundly-based decision. I'm sure that you will not want to get drawn into a discussion of the relative attractions of the easterly versus the southerly route.

Jonathan Hill

JONATHAN HILL

Roger M. Love half route.

From: The Rt. Hon. Sir John Stanley, M.P.

HOUSE OF COMMONS
LONDON SW1A 0AA

July 25 1991

Barry
Will you be sitting in on this — or only Judith?
S 25/7

Dear Prime Minister,

We are most grateful to you for agreeing to see us at 12 o'clock tomorrow.

You may find it helpful to have the attached Hansard of what I said in moving New Clause 16 to the Planning and Compensation Bill to which all those coming to tomorrow's meeting were signatories.

I also attach the list of those attending and those who very regretfully are unable to do so. You may like to be aware that Ted Heath has changed a Concord flight so as to attend your meeting!

Yours ever.

John

Meeting with the Prime Minister
in his room at the House
12 noon Friday 26 July.

Those attending

Edward Heath
Ivor Stanbrook
Roger Sims
Barry Bowden
Mark Wolfson
Keith Speed
(if back from
Finland in time)
Andrew Rowe
Roger Moate
Bob Dean
Ian Stanley.

Those unable to attend
with apologies

Jacques Arnold
Peggy Fenner
Michael Howard
Philip Goodhart
Ann Widdecombe
John Hunt
Jim Lowchman
Patrick Mayhew
George Gardiner

New Clause 16

COMPENSATION FOR WORKS IN CONNECTION WITH RAILWAYS

'.—After section 27 of the Land Compensation Act 1973 (Execution of works etc. in connection with public works) there is inserted—

"27A.—(1) The Secretary of State may compensate any person with a qualifying interest in land the enjoyment of which will in his opinion be seriously or injuriously affected by the carrying out of works or the use of public works or the intensification of operations by or in connection with the activities of the British Railways Board.

(2) In the section 'qualifying interest' has the meaning given in section 149(2) of the Town and Country Planning Act 1990.

(3) In this section the power to compensate includes the power to acquire by agreement property at a value established by reference to the value of the property which would have obtained if the relevant operations had not been subject to intensification.

(4) Save as provided in subsection (3) the provisions of Part I of the Land Compensation Act 1973 (Compensation for depreciation caused by use of public works) shall apply to compensation paid under this section.".'.—*[Sir J. Stanley.]*

Brought up, and read the First time.

Sir John Stanley (Tonbridge and Malling): I beg to move, That the clause be read a Second time.

Although the new clause has been tabled by right hon. and hon. Members of different parties who represent constituencies in London, Kent and Surrey, it raises an aspect of compensation policy which is of considerable importance to any constituency, wherever it is located, if, like ours, it faces a quantum leap in noise levels from the railways as a result of a different type of train which will travel with much greater frequency on the existing railway system. The issue that we are about to debate will be seen to be a part of general compensation policy, not one that flows from the channel tunnel project.

The problem faced by our constituents can be stated relatively simply. The Government have so far been unable —or unwilling—to agree to the construction of a new high-speed line from London to the channel tunnel portal. Therefore, it is inescapable that for at least five years after the channel tunnel opens in 1993, all through international passenger and freight trains to and from the continent will travel on the existing designated railway system between London and the continent. They will travel especially on two lines—the main line that has been used by the previous boat train service through Tonbridge down to Ashford, and the secondary line through Maidstone east.

The implications for people who have properties close to the railway lines are little short of disastrous, because the increase in usage, especially at night, will have drastic effects. At present, virtually no use is made of the Tonbridge to Ashford line at night. Equally, there is really no use of the Maidstone east line at night.

According to British Rail's own forecast of the international freight traffic alone, international freight trains about half a mile long and travelling at about 75 mph will take at least half a minute to pass a given point which, as far as our constituents' are concerned, will be their bedroom windows, which may be a few metres from the railway line. The trains will pass by about every 20 minutes throughout the night from 10 pm to 6 am. They will pass every night of the week, every week of the year. I am happy to say that it will affect relatively few people who are unfortunate enough to have property alongside the designated channel tunnel routes.

5.30 pm

New clause 16 seeks to deal with that problem by conferring on my right and hon. learned Friend the Secretary of State for Transport two discretionary powers. The first power would enable him voluntarily to acquire, with the agreement of the owner, homes that are seriously affected by the build-up of rail traffic. In practice, I would expect that power to be used in the case of houses that have, to all intents and purposes, been rendered valueless and uninhabitable by the rail traffic build-up. My hon. Friend the Minister of State kindly visited a house in my constituency, which I believe that he will agree will be rendered effectively valueless.

The second power is a discretionary power to apply the injurious affection provisions of the Land Compensation Act 1973 to those houses that are not made totally uninhabitable but whose value is seriously affected. Those two powers will provide a sensible and fair answer to the problem.

The House may ask, what are the objections to new clause 16? I shall anticipate two arguments that may be used by my hon. Friend the Minister. The first argument —he would be ill-advised to use it—is that compensation is paid only in relation to new works and not in the case of intensification of existing use. He may claim that this is an example of intensification of existing use and that, therefore, compensation cannot be paid. That argument cannot run. To try to pretend that the build up of rail traffic as a result of the channel tunnel is simply an intensification of existing use without any new works does not accord with reality. There are massive new works which are making it possible for the intensification to occur.

At one end of the line we have the biggest single new work that has ever been undertaken by the British civil engineering industry—the channel tunnel. It will link the entire continental rail system with the British rail system. That is a pretty good new work. At the other end we have the £150 million new work taking place at Waterloo station. Some of us went to see it the other day. There is a new international terminal with five new platforms, each a quarter of a mile long, to take the new international passenger trains. There is a massive new work between Tonbridge and Redhill where the line is being electrified to take the international freight trains. Mile upon mile of continuous rail is being installed, bridges are being reconstructed, there is tremendous investment in new signalling and track is being reconstructed. My right hon. Friend the Minister recently confirmed in a parliamentary answer that, even ignoring the cost of the channel tunnel, the associated rail works to enable the channel tunnel trains to travel on the existing designated routes will total £700 million. By every possible argument, major new works are involved and the issue cannot be dismissed as simply an intensification of existing use.

Mr. Andrew Rowe (Mid-Kent): My hon. Friend suggested that if the Government had been able or had wished to approve a new line, some of the problems might have been avoided. Is it not the case that British Rail has

[Mr. Andrew Rowe]

stubbornly persisted in its view that there is no need for a new freight line and that, therefore, our constituents will be subjected to this burden for the foreseeable future?

Sir John Stanley: I agree with my hon. Friend. British Rail's proposals, which as far as we know have not yet been accepted by the Government, envisage a new line for passenger traffic only. Therefore, the problem will arise for freight.

My hon. Friend the Minister may concede my first point about intensification of existing use. The real issue is what type of new works should trigger an entitlement to compensation. My hon. Friend the Minister may fall back on a second line of resistance. He may say, "Yes, I acknowledge that there are major new works but, I am afraid, that the works are of the wrong type. In a road scheme no compensation is payable unless there is a new road or a new carriageway to an existing road. In this case, by and large, there is no new track and compensation cannot be paid." If my hon. Friend is tempted to use that argument, I hope that he will think again. An analogy between the compensation problem for railways and the compensation problem for a road scheme is wholly bogus because the railway noise profile is totally different from that of a highway. The noise profile is critical. It is that which depreciates the value of homes and possibly creates the entitlement to compensation.

I invite the House to consider the noise profile of an international freight or passenger train. First there is a total silence. Then, from a very faint noise, there is a gradual crescendo, which builds to an intense noise for those whose homes are right by the railway line. That noise is sustained for at least half a minute as the train passes. The noise then diminishes back into total silence until the next train in about 15 minutes or so. That is not the noise profile of a passing car or lorry or of continuous traffic from a highway scheme. That noise profile approximates to that of an aircraft. The passage of an aircraft overhead is the correct analogy for the problem facing our constituents.

When we consider this as an issue of compensation policy in relation not to a highway scheme, where the analogy is false, but to aircraft, a different perspective emerges. As I hope to demonstrate, existing practice for civil and military aircraft is wholly in line with what we propose in new clause 16. We are not asking the Department of Transport to take a radical step forward or to create a dangerous new precedent. We are asking the Department to bring itself into line with the practice of those operating civil and military airfields and accept the same responsibility to householders in the vicinity of railway lines as is already accepted by those operators.

Mr. Bob Dunn (Dartford): Before my right hon. Friend extends the theme a little further, will he confirm that the problem with the noise profile will be worse during the day and evening? The noise from passing trains will not be confined to office hours from 8 o'clock in the morning until 6 o'clock at night but will continue through the night. On returning from work to home, where people want to enjoy their leisure and rest, owners will find that the noise profile is distinctly disturbing and wrecks their tranquil hours.

Sir John Stanley: My hon. Friend is correct. There will be noise disturbances on a 24-hour basis. My hon. Friend's point is extremely telling, not least because there is a ban on night-time flying by civil aircraft. Our constituents will be in a worse position than those affected by civil flights.

I remind the House of the two key powers that are available under new clause 16—the power to set up a voluntary acquisition scheme for owners of houses that are, in effect, made valueless and the power to pay injurious affection compensation.

I have considered the existing practice of civil aviation operators and the Ministry of Defence. On the civil side, I start with the issue of a voluntary acquisition scheme. Sir Norman Payne, the chairman of the British Airports Authority plc, has confirmed to me that BAA already operates a voluntary acquisition programme for houses seriously affected by noise from BAA airports, whereby those home owners who wish to sell are bought out for an amount equivalent to the unblighted value of their homes. Ironically, that power was made possible only by the Government's action in privatising the British Airports Authority. It would be sad and paradoxical if, having introduced those powers in relation to civil aircraft, the Government resisted introducing similar powers to cover those who are equally seriously affected by railway noise.

Sir Norman Payne confirmed in his letter that injurious affection compensation was payable. In respect of what new works is it payable by BAA? My hon. Friend the Minister may be under the impression that injurious affection compensation is payable only where there is the equivalent of new track—a new runway or an extension of an existing runway.

Sir Norman Payne confirmed that BAA is willing to pay injurious affection compensation where new works stop short of a new runway or an extension of an existing runway. As that point is fundamental, I hope that the House will forgive me if I read the key sentence in Sir Norman Payne's letter, and I ask hon. Members to consider in particular the end of that sentence. Sir Norman Payne said:

"With regard to injurious affection compensation BAA's airports, in common with all other airports in the United Kingdom, are liable to pay compensation under the Land Compensation Act 1973 where the value of property has diminished as a result of physical factors, including noise, vibration, smell, fumes and artificial lighting, resulting from any works at the airports which involve the construction, realignment, extension or strengthening of an existing runway"—

and this is the crucial passage—

"or substantial additions to or alterations of taxiways or aprons where those additions or alterations are designed to provide facilities for a greater number of aircraft."

5.45 pm

In other words, injurious affection compensation is triggered by new works which may necessarily fall short of a new runway or an extension to an existing runway but which provide facilities for a greater number of aircraft. Those of us who tabled new clause 16 argue strongly that that is precisely the position with which we are dealing —major new works which provide facilities for much greater use of railway lines by international trains.

I turn to the defence sector and military aircraft. I can speak with a little first-hand experience because I was Minister of State for the Armed Forces when the Ministry of Defence had to deal with this problem in relation to military aircraft. A massive increase in noise was predicted at an airfield, resulting in those with homes nearby finding the value of their homes if not destroyed, at least seriously

reduced. The airfield was RAF Leeming in north Yorkshire, which at that time was a training airfield, deploying Bulldog basic trainers and Jet Provost trainers, which are the first trainers used in converting to flying jet aircraft. They are relatively small and not particularly noisy aircraft.

It was decided to use RAF Leeming as one of the main operational bases for Tornados in this country. That occasion mirrored the present situation with channel tunnel trains. A new type of aircraft was deployed, with much longer hours of operation and causing much greater noise disturbance.

The House will not be surprised to hear, perhaps, that our policy response was precisely the same as the provisions in new clause 16. We introduced a voluntary acquisition scheme for owners of those houses most seriously affected by noise and injurious affection compensation. I am glad to be able to tell the House, because of written answers given to me by my successor, the present Minister of State for the Armed Forces, that the principles that we applied to RAF Leeming have been applied to a considerable number of other RAF airfields where the same problem has arisen. On 3 June, my hon. Friend the Minister said that the voluntary acquisition scheme applied at Stornoway, Leeming, Upper Heyford, Fairford and Yeovilton and that injurious affection compensation applied at Upper Heyford, Leuchars, Cottesmore, Coningsby, Marham, Wattisham, Honington, Leeming and Yeovilton.

What new works triggered an entitlement to injurious affection compensation at RAF Leeming? There was no new runway or extension to the existing runway. There was no new taxiway or new apron. The new works were of a different variety, but they still triggered an entitlement to injurious affection compensation.

I hope that I have been able to show that the principle in new clause 16 is well precedented in relation to aircraft and we should draw the parallel with a passing aircraft. There is a precedent for a voluntary acquisition scheme at the unblighted value of a property. There is a precedent for the operation of an injurious affection compensation scheme where there is intensification of existing use accompanied by new works, but where those works do not necessitate the construction of a new runway or railway track.

Although the Department of Transport may claim that the principle is difficult and dangerous, we are asking the Department and British Rail to accept the same degree of responsibility for folk, the value of whose houses may have been devastated, as is already accepted by the operators of civil airfields and by the MOD.

Ultimately we must consider the individuals concerned. We must ask whether it is fair and reasonable with regard to a channel tunnel project that is required in the national interest, that relatively small numbers of people should have the value of their main asset destroyed or substantially reduced as a result of the construction of that project and the proper utilisation of the tunnel by rail traffic. We believe that that is unreasonable. The Government must act to ensure that that injustice is rectified. Justice would be done under new clause 16 and therefore I hope that the House will support it.

POLICY IN CONFIDENCE

PRIME MINISTER

CHANNEL TUNNEL RAIL LINK

1. I should welcome the opportunity for a discussion of the comments that Norman Lamont and Michael Heseltine have sent you on my minute of 5 July. In preparation for that discussion, I thought it would be helpful to send you this note of some of the wider considerations I believe we need to take into account.

2. The first is that the Tunnel itself is a massive investment on a world-scale. In the national interest, we need to ensure that its full potential can be realised. That is most certainly the conviction of the business community and of our supporters. It is also their belief - and one I share - that the construction of the new high speed rail link is essential to realising the tunnel's full potential.

3. Second, the Citizen's Charter has been acclaimed because it demonstrates your long-term vision. I would draw a parallel with the CTRL. To provide, for the first time in recorded history, a physical link between all parts of our island and mainland Europe requires a long-term vision for our economy and the way in which we think of ourselves and are perceived by others. The rail link is not, therefore, just another investment project and we shall be ridiculed if we appear to treat it in that way. It has become a symbol, both at home and abroad, of our whole approach to Europe and our ability to look beyond the short-term. The decision we take on the CTRL will be compared with that of the French, Germans, Dutch and Belgians who are working together to build high speed rail links: tangible evidence of their commitment to the Single Market, to the Tunnel and the Environment.

4. Third, I am not advocating construction of the Link irrespective of finance. The figures we have in front of us show that the project is capable of earning a positive return on the investment. Certainly, it is not the 8% we normally look for

POLICY IN CONFIDENCE

from a commercial project by a nationalised industry. But the 8% return is not - and never has been - an absolute requirement. It is a test we use for the normal run of proposals. It is a useful guideline and from time to time we and previous Governments have set a lower required rate of return. The return on this project is positive; the fact that it does not amount to 8% should not, I believe, be decisive.

5. Fourth, I want to see the private sector as fully involved as possible in the project. But we must not delude ourselves that, if the Government does not regard the rate of return as sufficient, the private sector will be willing to take it on.

6. Fifth, BR has the contractual obligations to Eurotunnel and the SNCF that I described in paragraphs 5 and 6 of my minute of 5 July.

7. Finally, we must remember the people whose houses could be affected in Kent, Essex, and South East London and their Members of Parliament. They have been exposed to anxiety and uncertainty for three years already. It is unreasonable and irresponsible to maintain that delay longer than is necessary. The time has come when their uncertainty should be ended by a firm decision either that the project should proceed along our preferred route or that the project is dead.

8. I am copying this minute to Norman Lamont and Michael Heseltine and to Sir Robin Butler.

MR

MALCOLM RIFKIND

25 July 1991

CF — BF to BP 25/7. cc BHup

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

24 JUL 1991

Dominic Morris Esq
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

Dear Dominic

MEETING WITH SIR JOHN STANLEY MP AND KENT MPs: FRIDAY 26 JULY

I attach briefing for the Prime Minister's meeting with Sir John Stanley and a group of Kent MPs on the question of compensation for people living alongside the railway lines which will carry Channel Tunnel traffic.

The Minister of State, Roger Freeman, will be attending the meeting.

Yours,

Simon

S C WHITELEY
Private Secretary

chex.jp/sj1/69

CONFIDENTIAL

Prime Minister (2) cc PU

A Steve Robson production if ever I saw one!

But the views are as indicated in my earlier minute

Barn// This is wholly negative. What expectations have we aroused? My instinct is that everyone expects a CTRL decision. Politically, Kent needs a decision.

Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000 (attended)

, albeit put more forcefully.

Perhaps we can find time for the 'please refer' tomorrow.

BHP

22/7

PRIME MINISTER

I'd like Tobby Clark's advice. 22.7.

CHANNEL TUNNEL RAIL LINK

I have seen Malcolm Rifkind's minute of 5 July and Michael Heseltine's of 12 July. ~~~~ with BR/PM

In my minute of 5 June I said that the inadequacies of BR's work at Rhaf could pose difficulties for us in taking a properly informed decision before the Recess. In his minute of 14 June Malcolm was confident that these difficulties could be overcome and that this month we would have a firm basis for decision.

However the report by officials identifies a number of areas which further work is needed to provide a proper analysis. We therefore face a choice between taking decisions on information I still believe to be inadequate, or delaying decisions until the necessary work has been properly completed.

I There is however one decision I consider we could now sensibly take. That is to leave the issue of whether and when to build a rail link to the privatised railways. We have to face the fact that the financial and economic case for the rail link is so weak that it is unlikely that any refinement of the figures will turn it into a viable project either now or in the foreseeable future.

Decisions on investment are about balancing risk and return. In the nationalised industries we expect investment to produce an 8 per cent real rate of return. We have said that we expect more

risky projects to show correspondingly higher benefits in line with the way the private sector behaves.

There is no doubt that this is a risky project. Uncertainties surround the forecasts of demand. Risks surround the capital costs. We are all too familiar with cost overruns on public sector projects. BR's existing channel tunnel projects are showing a cost overrun of 90 per cent in real terms. In 1990 alone, well after work had begun on site, these projects showed a real cost increase of 28 per cent. We have also seen the projected costs of the Jubilee Line Extension rise 50 per cent in real terms before any construction work has begun. East West Crossrail has increased 15 per cent in real terms in the last year and it is still some years from going out to tender. Indeed Lazards, BR's own advisers on privatisation, have said that "the [rail link] project as a whole is vulnerable to time delays in the completion of the link [and to] cost overruns".

Despite being a risky project, the rail link does not even show a 8 per cent return. Its financial rate of return of only some 3.8 per cent, or 4.2 per cent if increased revenue elsewhere on BR is included. This is a major project costing some £3 billion. Gaps between this return and our 8 per cent required rate mean that, if the rail link went ahead, it would involve a loss to the economy of some £2 billion in net present value terms. This is the loss incurred by using resources for the link rather than elsewhere in the economy. To put this point another way, at an 8 per cent discount rate the benefits correctly attributable to the scheme are only half of the costs.

It is very difficult to see any refinement of the figures turning the link into a viable project. As Malcolm says, the first question for us is whether extra capacity is needed and how soon. Need is, of course, inseparable from the financial and economic appraisal. Need is only established if, in meeting demand, a

proper return can be made on the resources employed. The answer, therefore, to Malcolm's first question is that the extra capacity is not needed. This does not apply simply to a line completed around the turn of the century. Officials have examined the return if the line were deferred a further 20 years. It only rises by 2 percentage points. In short, on the figures available, and on any likely refinement to them, there is no need for extra capacity now or on the foreseeable future.

I would make only three points on Malcolm's minute. First, he quotes a 6 per cent financial return for the project. This figure is taken from BR's badly flawed analysis. As the report by officials makes clear, BR have made "unwarranted assumptions" that the new line and certain commuter investments can be regarded as a single project. When adjustments have been made to remove these assumptions the return is, as I have mentioned above, about 4 per cent (pages 14 and 16 of the agreed report by officials).

Second, Malcolm argues that the shortcomings in BR's analysis of the overall viability of the project need not inhibit us from choosing a route now. This is not correct. It makes no sense to decide which way to undertake a project which is fundamentally non-viable.

Third, Malcolm recognises that the cost estimates are uncertain but he says little about the risks in this area. The report by officials notes that "little work has been done on risk". I have already mentioned the history of cost overruns. If this project went ahead, the eventual costs would almost certainly be substantially higher than those with which we are now presented. I fear this tendency would be particularly marked if the public sector undertook, or funded, the project.

CONFIDENTIAL

Although it is disappointing I do not believe we are now able to take a decision on a choice of route. Instead I believe we face a choice between two somewhat unattractive options :

(i) to say BR's work is so poor that it does not form the basis for taking decisions. We would remit officials to do further work before deciding whether to allow BR to consult on a route, and if so which one. As their report acknowledges, they would probably need to use consultants. The work would take several months;

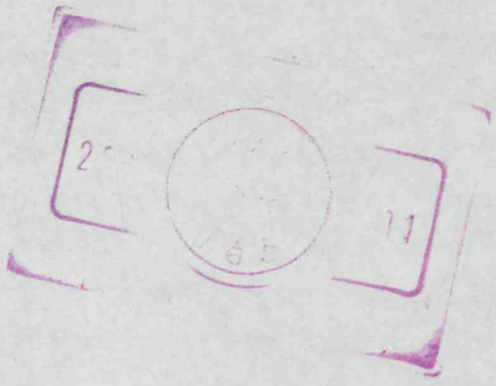
(ii) to announce that the decision on whether, and if so when, to build a rail link would be left to the privatised railway companies. They would no doubt take account of actual usage of the Tunnel after it had opened. We should not, however, impose on them any obligation to build a link as this would probably wreck the privatisation prospects of what should be one of BR's more attractive businesses.

In my view the second of these is the better course. The best reason for deciding a route now would be to safeguard it for planning purposes. Officials make clear this would only be prudent if there is a reasonable prospect of a new line being built in the next 10-15 years. We cannot be sure that there is such a prospect. Malcolm suggests that the route should only be carried forward if the Government is ultimately prepared to provide the funding. If that is the case, it is another reason against selecting a route, given the rail link's poor return.

I am copying this minute to Michael Heseltine and Malcolm Rifkind.

[N.L.]

22 July 1991



KW
c/whiteley

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

18 July 1991

Sir John Stanley and a group of Kent MPs have asked to see the Prime Minister about their concerns on the Channel Tunnel rail routes. The date provisionally fixed is noon on Friday 26 July. Could we have briefing please by close of play on 24 July. If a Transport Minister were able to sit in at the meeting the Prime Minister would find that helpful. Sandra Phillips here will let you know when the meeting is confirmed.

DOMINIC MORRIS

Simon Whiteley Esq
Department of Transport

MR

(1)

Barry. I'll order this beaven knew what!

PRIME MINISTER

CHANNEL TUNNEL RAIL LINK

I attach a minute from the Transport Secretary reporting his further work on the Channel Tunnel Rail Link (CTRL). His main conclusions are as follows.

* BR have made the case for adopting the southern route for the proposed fast link.

* The new line should terminate at King's Cross.

* In purely financial terms the project is not viable.

* Taking into account both international and extra commuter traffic, on a cost-benefit basis, the project just meets the DTp minimum rate of return (8 %).

* But that return is predicated on (notional) injection of subsidy to reflect the benefits to commuters (not captured in higher fares) and assumed decongession on roads. Moreover, it is achieved by linking the CTRL with other commuter line improvements. These, on their own, could generate much of the extra commuter benefits.

Mr. Rifkind offers two possible ways forward. Either the Government should confirm the go-ahead for the new line on the BR route, through an announcement before the Recess. Or the Government should delay a decision, until more work on costs and financial viability can be undertaken.

DOE Views

Also attached is a minute from the Environment Secretary. He takes a wholly different view. His main points are as follows.

* On no route is a new fast-link commercially justifiable.

* If CTRL can be justified at all, it will be necessary to look at wider regional planning and environmental benefits.

* The Ove Arup line to the east, via Stratford into King's Cross, offers wider regional and environmental benefits. In particular it would stimulate development of the East Thames corridor - a familiar theme from Mr. Heseltine.

* Further work is required looking at these wider costs and benefits.

In short, Mr. Heseltine would prefer to delay any announcement until more work has been completed.

Treasury Views

Finally, although we have had no minute from the Treasury, their views are set out in a very helpful note from Policy Unit attached. The Treasury's main points are as follows.

* The fast link project is not financially viable on any route.

* Consideration of whether to proceed should therefore be left until after BR has been privatised.

* In any case the BR/DTp analysis is shoddy.

* Any go-ahead now could only proceed with public subsidy: the cost overruns would be huge.

Assessment

No announcement is possible before the Recess. There is a considerable divergence of views between all three Ministers. We are nowhere near an agreement on the route, let alone the project in principle.

Ministers will have to return to the issue in September. But, as the Policy Unit note concludes, more work is needed now.

In part it is a question of filling in gaps in the BR DTp analysis. But I think you may also want an assessment of the wider regional and environmental benefits to which Mr. Heseltine refers. (Extending the scope of the analysis from purely financial (HMT view); to narrow cost-benefit (DTp view); and now to wider cost-benefit (DoE view) is unlikely to make an unviable project worthwile. But it will be difficult to shake off Mr Heseltine without that further analysis.)

To make matters move, we need a clearly defined remit. Can I suggest that No.10 respond by:

(i) agreeing there should be no announcement this side of the Recess;

(ii) noting the difference in views on both the desirability of the project (financial and wider) and the choice of route;

(iii) suggesting that further work should now go ahead, as all Ministers propose, to establish more precisely the financial viability of both routes;

(iv) suggesting further work should also be undertaken, as Mr. Heseltine suggests, on the wider benefits and costs of alternative routes; and

(v) suggesting that as a first step the three Ministers involved consider and agree urgently a precise remit and timetable for work to go ahead over the summer months.

BHP

BARRY H. POTTER

18 July 1991

a:channel (mj)

PRIME MINISTER

17 July 1991

CHANNEL TUNNEL RAIL LINK

Malcolm Rifkind is pushing hard for a swift decision on the Channel Tunnel Rail Link (CTRL). He wants to be able to announce before the Recess that we endorse BR's preferred southerly route to King's Cross.

Michael Heseltine has written agreeing that the Link should terminate at King's Cross, but arguing against the southerly route. He favours Ove Arup's easterly route. He wants us to make an announcement in principle that the CTRL will be built, and to narrow the choice down to one between BR's preferred route and the Ove Arup option. He says that more detailed analysis should be done - particularly on the Ove Arup route - so that a final, better informed decision can be reached before Christmas.

The Chancellor has not yet written. However, I am told that he will say:

(a) that no matter which route were chosen, the project would simply not be viable, (the financial rate of return of BR's preferred route is some 4%) and there is no prospect of it being so within at least the next 15 years. The Government should not commit public money. The cost of the BR option is £3 billion. Ove Arup's route is estimated to cost £3.6 - £3.8 billion. The risk of cost over-run is clearly high in both cases. A decision about whether or not to go ahead should be left to the private sector post-privatisation;

(b) that in any case, BR's analysis is so flawed that it is not possible to take an informed decision between the various routes.

Can we take a decision before the Recess?

Any decision would need to be announced to the House. That in itself imposes a severe timing constraint. In addition, your diary for the rest of this week and early next week is in an impossible state - and over the weekend you will need to concentrate on working through your briefing for the Citizen's Charter launch.

It is also clear from the officials' report that there are significant question marks over parts of BR's financial analysis. What's more, much less work has been done on the alternatives to the BR preferred route - hardly surprising given that BR has been driving the process. Therefore, if we want to consider the easterly route as a serious option - and I think, if we decide to go ahead at all, we must - then more time will be needed to commission consultants to look more carefully at the Ove Arup route.

You have not yet had time to see a delegation of Kent MPs (difficult to take a decision without having seen them?). Nor given the divergence of view between Messrs Lamont, Rifkind and Heseltine, and given the politics of the decision, can I believe that you would be likely to reach agreement with your colleagues in only one meeting.

All these factors lead me to conclude - albeit reluctantly - that we are not in a position to take a decision now and will need to return to the issue in September so that we are in a position to make an announcement when the House returns.

How would we handle putting back the decision?

We are **not** committed publicly to announcing a decision by a

particular date. We have simply said that we are considering the options and will make an announcement as soon as we can. So, although there is an expectation among the promoters of the various routes that a decision is imminent, we are not on any specific timing hook.

So who would be unhappy if we delay? And are the various routes likely to leak?

BR would obviously be very unhappy. They have been hoping for a quick decision - not least because they don't want us to consider the alternatives in detail. And they will clearly see a threat in any delay. But I do not see what benefit they would derive from going public or leaking. They know that theirs is the most unpopular route, and that London MPs and local authorities are most opposed to it. So, I would have thought that Malcolm Rifkind should be able to handle them by pointing out that their best interests are served by their keeping a lid on things.

I am told that the Kent and London MPs are keen to have a swift decision in order to end the uncertainty - although they are divided as to which route they would prefer. But presumably their main concern will be to have it all sorted well before the Election. Assuming a 1992 date, an October announcement - although not ideal - should still give them some leeway.

Malcolm Rifkind is likely to be disappointed, but Michael Heseltine and Norman Lamont would be more disappointed if you signed up to the BR preferred route.

What should we say publicly if we decide to delay?

I do not think that we need to volunteer anything. However, if asked, I do not see why we could not hold our existing line of saying that we are looking at the options and will make a decision as rapidly as possible. We could add that the analysis

[redacted]e have been doing has revealed the need for more detailed work to be carried out in certain areas so that we will be in a position to make a fully informed and soundly based decision in the Autumn.

Conclusion

We have all been anxious to reach a decision before the Recess, but given:

(a) the timing constraints;

(b) the diary pressures;

(c) the politics of the decision;

I reluctantly conclude that we should accept that we will have to return to this in September. In the meantime, work should continue on filling in the gaps in the analysis provided by BR. In other words, the two month delay should be used to the full to ensure that when we come to take a decision we will be able to do so in possesion of all relevant information.

Jonathan Hill.

JONATHAN HILL

273.JH

POLICY IN CONFIDENCE

PRIME MINISTER

CHANNEL TUNNEL RAIL LINK

I have seen Malcolm Rifkind's minute of 5 July.

The decision on the Link is of crucial importance. It is apowerful symbol of our commitment to Europe. It has wide implications for the economy; for our commitment to spread the benefits of economic growth more evenly across the country; and for the environment. Our response should address all these issues and not appear to be driven by the needs or wishes of British Rail alone. Nor should we be rushed into taking a decision before we have adequate information on which to base it.

Malcolm argues for British Rail's (BR) preferred route through Kent and South East London to King's Cross. The southerly routes show up least badly on the basis of the economic and financial modelling and evaluation framework employed. But on that basis alone, none of the fast link options can be justified. The analysis has not been able to take full account of the wider regional and environmental effects. It excludes on grounds of uncertainty the opportunities for development generated by the railway, which seem likely to favour the easterly routes.

The BR route, like all the southerly routes, has a damaging effect on the environment, in particular on residential property. It would be highly unpopular and, as the list of constituencies shows, would be unwelcome politically. It passes through areas which in terms of our overall planning policies we most want to protect from further development, including the West Kent Green Belt.

The Newham route, terminating at Stratford, matches BR in terms of the cost-benefit appraisal. But it suffers from broadly the same environmental, regional planning, and political defects. Whilst I wish to promote development in East London, I am as concerned that the Link should enable the benefits of the Channel Tunnel to be transmitted to Northern regions. I therefore agree with Malcolm that the Link must terminate at King's Cross rather than Stratford.

Of the easterly routes, the Rail Europe proposal should be ruled out on grounds of its cost and damaging environmental effects.

POLICY IN CONFIDENCE

The Arup route, approaching King's Cross from the east and with a major station at Stratford, would be costly. But only the Arup line has the potential to encourage large scale development in the one area of the South East where this would be welcome: the East Thames Corridor. This corridor will form a major element in the regional guidance I propose to issue later this year to local authorities in the South East. I am writing to you separately about our approach to development in the South East.

The East Thames Corridor will represent the largest scheme of urban development this country has known; yet I believe that it can be implemented at modest additional cost to the Exchequer, partly because it depends on existing or programmed Department of Transport road schemes. The Arup line runs through the middle of the corridor and could be of immense strategic importance. With the Rail Link, the corridor would become Britain's gateway to Europe, attracting major private investment once the current recession lifts. Thus the line would generate the traffic that would help to justify its construction. Without the line, I suspect that in due course we would face the need for another new railway to serve the area.

The Arup line is environmentally inoffensive compared with BR's. It would require the acquisition of only two houses, and the demolition of none, from the point where it diverges from the BR route in Kent.

Whichever line we choose should have the potential for further development. Arup offers helpful flexibility for freight service development and, with a through station at Stratford where there is more scope for parking than at King's Cross alone for passenger growth. Accepting that public money would be necessary to get the project off the ground, the preferred route should also accord with our privatisation strategy. Opportunities to finance stations at the cost of developers are far more promising in the East Thames Corridor than on the southerly approach involving mid-Kent, Stratford and, possibly to follow later, Rainham and Dartford.

It is apparent from the officials' report that a great many uncertainties remain as between the routes. We should allow sufficient time for further analysis before we choose our preferred route. I hope therefore that we can agree in principle and announce at this stage that a fast rail link will be built; that it will terminate at King's Cross; that the remaining options are the BR and Arup routes; that papers on both those options will be published for public consultation; and that in parallel the Government will conduct

POLICY IN CONFIDENCE

further analysis of those options. This would demonstrate our positive and open-minded approach to what is a major decision. We would then appraise public reactions and work up plans to bring as much private money as possible into the chosen option, whilst taking the chance to examine the detail more fully than has yet been possible.

I envisage that the analysis could be assisted by consultants working to Malcolm Rifkind's Department and my own. They would examine the remaining points of difference between Arup and BR, not simply on the engineering cost of their respective schemes but on the wider development opportunities, notably in the East Thames corridor. We would aim to complete the consultation and analysis in time to announce the preferred route by Christmas. By working to that timetable we should be able to resist calls for compensation for blight along the Arup route.

I am copying this to Norman Lamont, Malcolm Rifkind and Sir Robin Butler.

Richard Shaw

MH
12 July 1991
Approved by the Secretary of State
Signed in his absence

Sir Alastair Morton
Chief Executive
Eurotunnel

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11 July 1991

The Rt. Hon. John Major, MP,
Prime Minister,
10 Downing Street,
London SW1A 2AA.

Dear Prime Minister

I was sad to hear from your office that it will not be possible for you and the President to meet at Calais on 29 July. I think the confrontation between his staff's rather imperial approach, the (occasionally rainsoaked) realities of a major construction site and pressure on everyone's timetable simply made it unrealisable.

I suggest we try again! I wonder if you would care to consider inviting him to Folkestone in, say, October? We would seek to avoid imperial trappings: perhaps we could arrange matters at our Exhibition Centre so that you and he could move through it meeting successive representative groups of project people, Eurotunnel's (future) operations staff, BR, frontier and Kent public service officers, and Kent and Nord-Pas de Calais worthies - including our local MP, Michael Howard - etc. before touring the terminal in hard hats. Total on ground say 1 3/4 - 2 hours including speeches and media sessions, but excluding any tête-à-tête.

There is a date in the first half of October which will be the fourth anniversary of the French announcement of the TGV Nord. It would be cause for celebration all round if you made a strong speech on transport, featuring a high-speed line to London from the site. Is that possible? It would be a very positive European signal.

I am at your disposal to develop these ideas.

Yours sincerely

Alastair Morton

Eurotunnel is an association constituting a partnership and a société en participation between The Channel Tunnel Group Limited, Registered Office as above, registered in England No. 1811435 and France-Manche société anonyme, au capital de 5.317.950.000 F, siège social à l'adresse ci-dessus, RCS Paris B 333 286714, a company incorporated in France with limited liability whose address for service in Great Britain is given above.

CONFIDENTIAL

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

Barry Potter Esq
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

10 JUL 1991

Dear Barry,

CHANNEL TUNNEL RAIL LINK Done.

Further to my Secretary of State's minute to the Prime Minister dated 5 July, and the accompanying report by officials, I would like to draw your attention to a misprint in table I on page 27 of the report. I would therefore be grateful if you would substitute the attached page.

I am copying this letter to Jeremy Heywood (HM Treasury), Phillip Ward (DOE) and Sonia Phippard (Cabinet Office).

Yours,

Judith Ritchie

MISS JUDITH RITCHIE
Private Secretary

CONFIDENTIAL

POLICY IN CONFIDENCE

Corrigendum

CHANNEL TUNNEL RAIL LINK - REPORT BY OFFICIALS

There is a misprint in Table 1 on page 27 of the report that was circulated on 5 July. The row of figures in the penultimate line, titled Economic Benefits, should read:

-70	+46	-84	-59

Please substitute the attached page.

Department of Transport
Railways Directorate

9 July 1991

ECL

cc. AP

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

9 July 1991

Dear Christopher,

CHANNEL TUNNEL: 29 JULY

I warned you by telephone that the French had got cold feet about the Channel Tunnel event scheduled for 29 July. Their reconnaisance had shown, in Pierre Morel's words, "mud, mud, mud, with no redeeming features".

After consulting the Prime Minister I have told Morel that the Prime Minister agrees that, in the circumstances, it would be better not to go ahead but to look for another opportunity when there is a more obvious event as a focus. We have agreed that we would make a low key announcement during the Economic Summit on the lines that the Prime Minister and the President had decided that they would not have enough time for talks on 29 July. They have therefore decided not to go ahead with that meeting but to look for an opportunity to meet early in the autumn.

I have told Sir Alastair Morton that, at French suggestion, we have decided not to go ahead with the meeting on 29 July. He seemed quite relieved. The word had reached him that the French were thinking of going to enormous expense (about £150-200,000) and I got the impression that some of this would have fallen on Eurotunnel. Sir Alastair did not pursue the suggestion that the Prime Minister should go to Cheriton on 29 July. There is no point in the Prime Minister going to Cheriton alone at this stage. We shall drop that for the moment as well.

I had already warned the Embassy in Paris that the French had proposed calling off the visit. You may wish to tell them that cancellation has now been agreed. I hope people on our side have not been put to a lot of trouble for nothing.

I am copying this letter to Simon Whiteley (Department of Transport) and Sonia Phippard (Cabinet Office).

Yours,

Stephen

(J.S. WALL)

Christopher Prentice, ESq.,
Foreign and Commonwealth Office.

POLICY - IN CONFIDENCE

PRIME MINISTER

CHANNEL TUNNEL RAIL LINK

1. I attach a report by officials of my Department, Treasury and the Department of the Environment on British Rail's proposals for the route of the Channel Tunnel Rail Link and the location of the second terminal in London.

2. The main questions for us are:

(i) is extra capacity likely to be needed, and how soon?

(ii) is a new line the best way of providing it?

(iii) have British Rail made out a case for locating their second international terminal at Kings Cross and for the preferred route to it?

(iv) would the project be profitable, and if not, on what terms would we be prepared to put public money into it?

(v) can we announce a decision on the route now, or should we ask for further studies to be done?

History

3. BR's proposals are a response to the announcement made in the House last June by my predecessor when he turned down a proposal for a joint venture between British Rail and Trafalgar House for a privately funded project. That proposal had brought out clearly that a new line would not be viable unless its capacity and cost could be shared between international and commuter services; and that the funding of the commuter services was likely to involve support from central Government by way of capital grants. So my predecessor asked

British Rail to revise its proposals to maximise the benefit to commuters as well as to international services. He said that the further work would concentrate on options for the route from the North Downs to Waterloo and Kings Cross with its efficient connections to the rest of the country. He went on to say that alternative routes were unlikely to be better financially or to offer a better deal for commuters and that there seemed to be general agreement that any service would need to terminate at Kings Cross, but that there was to be a study of alternative routes approaching Kings Cross via Stratford. He separately asked BR to look at the option of routes which terminated at Stratford. That has been done.

The need for a new line

4. On all the international forecasts that have been made (by Eurotunnel, the French railways, BR and their consultants; and by consultants acting on behalf of Kent County Council) the existing rail capacity for international services between London and the Tunnel will be fully used up early next century. There is greater uncertainty about the capacity likely to be needed for commuter services from Kent to Central London which will depend on economic growth in the South East, but extra capacity for these services is likely to be needed at some time after the turn of the century.

5. BR and French Railways (SNCF) have contractual obligations in their agreements with Eurotunnel to provide adequate infrastructure to meet forecast demand for international traffic. That obligation is subject to the qualification that any additional investment must satisfy BR's normal investment appraisal criteria; so at the point where the growth in demand was sufficient to give a proper commercial return on the investment BR or a successor company would have no defence against failure to comply with the obligation to build a new line.

6. BR have moreover a separate obligation in the usage contract to keep available such parts of their existing infrastructure as a prudent and diligent operator would keep available to carry at least

the traffic forecast by the most recent six-year forecast agreed between the railways and Eurotunnel. That might require them progressively to provide more train paths on their existing South East Network for international trains even if that meant curtailing the commuter services. Such curtailment would run counter to assurances given to Parliament by BR during the passage of the Channel Tunnel Act (subsequently repeated by Ministers). It would be doubly difficult if existing capacity for commuter trains was also insufficient to meet growing demand. (The legal obligations to Eurotunnel will have to be incorporated in the arrangements for privatising Network South East and BR's international business.)

7. If extra capacity is to be provided there is no sensible alternative to a new line. In 1988 British Rail published a report on various route options including putting extra tracks alongside existing lines. A completely new line was better on operational and environmental grounds. Those results were confirmed by an independent report commissioned by Kent County Council. It is also significant that none of the private sector consortia who put forward proposals in 1989 found any way of squeezing more capacity out of the existing system apart from the widening of the existing tracks from 4 to 6 in outer London. A new line can also bring additional benefits; it can be designed for operation at higher speeds (up to 150 mph) and higher reliability; and it can be electrified on the same system that will be used in the Tunnel and is used on the electrified lines north of London.

8. The rail link would therefore provide a high quality route from London to the Channel Tunnel as good as or better than the present Inter-City routes to the North and West of London. It would mean that the railway line from London to Paris was of high quality throughout. Until it is built, trains will be able to travel at speeds of up to 180 mph in France and 125-140 mph north of London, but only 70 - 100 mph from London to the coast. The new line is seen by other European countries as a vital link in the European rail network, and has been identified by the European Commissioner for Transport as among the highest priorities. Within the UK there is widespread support among

all the parties for the construction of a new line, although particular routes are of course opposed by members whose constituencies are affected.

The Choice of Route

9. From the point of view of transport planning, I consider that BR have made out the case for their preferred option. Despite some uncertainties about costs and the development gains it is also better in commercial terms. Waterloo will remain in either case as one of the international London termini. The questions are:

(a) whether the second terminal should be at Kings Cross or at Stratford, and;

(b) if it is at Kings Cross, whether the line should approach through south London or (passing through Stratford) from the East.

10. Kings Cross provides a better route for through services to Scotland, the Midlands and the North, and much better connections to other Inter-City services from Kings Cross, St Pancras and Euston. It is also more convenient for the London destinations most international passengers will be making for, and for the majority of British passengers embarking for the Continent. From the point of view of commuters, too, the calculations suggest that Kings Cross is better than a terminus at Stratford.

11. From a commercial point of view, BR's proposal therefore best meets the needs of prospective passengers and is likely to generate most revenue. So I do not find the notion of a terminus at Stratford an attractive option. The London Borough of Newham's proposal terminating at Stratford is cheaper than the other options (because it involves less tunnelling) and in overall cost benefit terms there is not much to choose between it and BR's proposal. But it does not provide the service most passengers want and would provide worse

connections to the rest of the country. In my view it would be strongly criticised on these grounds. I recommend that we should agree to the choice of Kings Cross.

12. BR's preferred route approaches Kings Cross through South London. It incorporates a junction at Warwick Gardens (in Peckham) to enable half the international trains to go to Waterloo and some commuter trains to use the Thameslink route via Blackfriars and Farringdon. The alternative route (proposed by Ove Arup) comes into London from the East via Stratford.

13. In purely transport planning terms BR's route is preferable. On the figures BR have given us it is cheaper than the Ove Arup route via Stratford; it improves access to Waterloo for the international services that will continue to terminate there, whereas under the Ove Arup proposal Waterloo trains would continue to travel on slow, congested tracks from near Rochester to central London; and it provides a bigger improvement in commuter services from Kent, with better interchanges onto the Underground. In cost benefit terms it has an advantage of between £500m and £850m over the Ove Arup route to Kings Cross.

14. In environmental terms the Ove Arup route is better, particularly in the impact on residential property. The BR preferred route requires 24 houses to be demolished and directly affects 103 more. This is a considerable improvement on the 1989 proposals which required 104 homes to be demolished but it is worse than the 2 houses seriously affected on the Ove Arup route (there are no demolitions). The Easterly approach has a markedly greater impact on commercial property. On other environmental grounds (landscape, archaeology, heritage) the Ove Arup route is generally more advantageous. On agricultural land there is not much to choose between them.

15. Either route is likely to give rise to vociferous objections from those whose property is affected. The opposition in South East London and at Warwick Gardens is already vigorous, so the resistance to the BR route will be greater, although objections to the Ove Arup route

would be likely to grow rapidly if it were announced as the preferred option. That is unavoidable for a project of this magnitude, but the number of properties to be demolished is relatively modest compared with for example a motorway of similar length. On BR's preferred route, the worst affected properties lie alongside the existing railway line in outer South East London that is to be widened. They are already exposed to noise from frequent commuter trains and many of them will be better off because BR will install noise barriers on either side of the track. But some houses will lose part of their back garden or become closer to the railway, and grass embankments will be replaced in places by high retaining walls.

16. I attach a list of the constituencies through which each of the routes runs. Apart from South East London, the main areas of contention are in Mid Kent, near Gravesend, in Barking and at Kings Cross itself. The weight of opinion among local authorities in London and the South East favours the Ove Arup route. Northern authorities and interests strongly support Kings Cross.

Land Use Planning Issues

17. In considering the two routes we also need to take account of wider land-use planning impacts. Government policies towards land use in London and the South East might lead to a shift of population and activity to East London and the lower Thames corridor. The proponents of Stratford suggest that the presence of an international station there might help to stimulate this development.

18. British Rail have had this issue examined by planning consultants. Their report has been discussed with officials from the Department of the Environment and the Department of Trade and Industry, and with Professor Hall, who is a Special Adviser on these matters to Michael Heseltine. The attached report by officials concludes that the land-use arguments favour the Easterly route but only if the construction of the line is part of a much wider, longer-term regeneration strategy. The extra growth at Stratford would not create new jobs: they would be relocated from elsewhere. The impact

would be greater if Stratford was a terminus and not an intermediate station. There must be serious doubts whether such large scale regeneration will occur, given the prospective state of the property market and the unattractiveness of Stratford compared with other locations.

19. Moreover the Ove Arup route is likely to be considerably more expensive; it would leave Waterloo with a much slower and less reliable international service; and it would be less attractive for commuters. So I could not on transport grounds justify the higher subsidies this proposal would require to compensate for its poorer commercial performance.

20. It is in my view also misleading to think of a rail terminal catering for some 10 million passengers a year travelling to Paris and Brussels as a magnet comparable to, say, Heathrow Airport, with annual flows of 40-50 million to destinations all over the world and a large freight, aircraft servicing and catering business. I think that the best way in which transport can contribute towards the development of East London is through improvement to local transport infrastructure, which will benefit considerably from schemes already planned or under construction. Stratford in particular will benefit from the upgrading of the Central Line at a cost of £850m, the extension of the Jubilee Line, the extension of the Dockland Light Railway to Bank and to Beckton, the construction of East-West Crossrail and major road schemes including the East London river crossing and the improvement of the A13. In total the transport infrastructure improvement already planned for East London amounts to no less than £4.5 billion.

Freight

21. There is a good deal of interest in a dedicated freight line to the Channel Tunnel. However, other European countries do not have significant stretches of dedicated freight railway lines. And Ove Arup are not proposing that. They propose that - as in Germany, but not in France - freight should share the high speed line with passenger traffic. The advantage they claim is that their line would

be able to take trains composed of the higher loading gauge rolling stock that prevails in France and other continental countries for carrying containers and road semi-trailers. However, up to half the Channel Tunnel trains would still have to go on the existing railway lines.

22. BR will be able to carry on their smaller gauge network nearly all containers and swap-bodies though not semi-trailers. There is little advantage in providing a continental gauge freight line from the Tunnel to Stratford unless we want to turn Stratford into a railhead or are prepared to spend a very large sum of money in increasing the height clearances on key routes on the rest of our railway network so that the continental gauge can go beyond Stratford. In addition 70% of freight going north of London goes to the North-West and therefore substantial further sums would have to be spent on improving the North London line as Stratford is less suitable than Willesden/Wembley for this purpose.

Financial Viability

23. Although we do not need to commit ourselves now to exactly when the new line should be built or precisely how it should be funded, we cannot in my view announce that we are letting BR proceed with the statutory planning procedures to permit its construction unless at the end of the day we are prepared to tackle the funding issue.

25. Trafalgar House's joint venture with BR last year failed to produce a commercially viable proposal. One way or another they needed a government cash subsidy of some £1.5 billion in respect of the commuter services using the line. BR have improved the design and the proposed pattern of services to maximise the advantage to Kent commuters by linking the new line to Thameslink, the existing BR cross-London route from Blackfriars to Kings Cross. In combination the new line and the improved Thameslink services bring commuter benefits with a present value over £2 billion and an NPV on the investment of some £1.4 billion. On that basis we could justify a subsidy for the commuter benefits which might raise the financial rate

of return BR's commercial businesses would earn on the construction of the new line to some 6%. That is below the 8% return we normally require for commercial rail investments and well below what the private sector would require: but it would be enough to service a government loan and would not require us to amend the Channel Tunnel Act which prohibits grants for international rail services. Overall, taking account of both the financial return on the international services and a cost-benefit return on the commuter element the project would achieve close to 8%.

26. We might be able to proceed on that basis. But there is a problem in BR's appraisal because of the possibility that most of the commuter benefits could be obtained by fairly modest investments to improve the Thameslink service and that the extra benefits commuters would obtain from using the new line would not justify the extra costs. This has emerged as a result of information provided by British Rail in mid-June. We cannot take a firm view about the financial prospects of the project until this question has been discussed more fully. BR say that the further work they would need to do could take several months.

27. This particular issue does not significantly affect the comparison between the routes and we could therefore take a decision about that now. We would in effect be committing ourselves to a project which might - on the worst case assumptions about the Thameslink services - leave a financial return of barely 4% to the international business after allowing for the maximum grant we could justify for commuter services. I am however encouraged that, even on this view of the commuter contribution, we need not rule out the prospect that the international business could fund its investment without grant.

28. Because we did not receive all the supporting documentation for BR's proposals until mid-June, and because Ove Arup then produced some unexpected major modifications of their scheme, officials have been hampered in carrying out the evaluation we asked them to do.

Inevitably there are still considerable uncertainties about parts of the analysis.

29. Officials have drawn attention in particular to two issues:

- the assessment of the long-term potential for development gains in East London

- the relative costs of the BR and Ove Arup proposals taking account of construction risks.

30. My view remains that in transport planning terms the Easterly route is inferior, particularly because it leaves Waterloo with a slow and unreliable service. We ought not to worsen the quality of service planned for international passengers and commuters unless there is a very substantial gain in planning terms that would justify our paying government grant. This would be a paradoxical response to the principles of the Citizens' Charter. The work done by consultants for BR on the possible regeneration of Stratford suggests that there must be considerable doubts whether Stratford will be an attractive location for office development in the foreseeable future even if the new line has a station there. The report by officials does not cast serious doubt on this.

31. Although Arups' eleventh hour variations of their proposals suggested that the difference in costs might be less than the figures in BR's report, the gap between Arup and the BR proposals is still very wide. Officials will be meeting BR, Arups and W S Atkins (the consultants appointed to give an independent view of BR's appraisal) shortly to see whether the uncertainties can be reduced now or whether further work is required. I expect to have a further report shortly.

Public Expenditure Implications

32. The only immediate implications for public expenditure concern the acquisition of blighted property and BR's project development costs. The announcement of a preferred route does not give rise to

any statutory entitlement to compensation. But on the precedent of the arrangements at Kings Cross and in Kent British Rail would want to introduce a discretionary purchase scheme for houses and small business premises. We would want to support that. And if we were to decide to safeguard the whole route, compensation would become a statutory obligation. The costs in the immediate future for their preferred route would exceed the existing provision and I should need to discuss this with the Chief Secretary in the light of our decision.

Conclusions

33. There are three courses of action open to us:

(i) Confirm now that we accept the need for a new line and announce that we are endorsing BR's preferred route as a basis for the detailed consultations that must take place when a route has been published. Officials could work up more detailed papers on viability and funding and report to us again in the Autumn. The question is whether we are sufficiently confident of the robustness of the evidence for such an endorsement.

(ii) Delay an announcement until later in the year to enable more work to be done by officials and BR (in consultation with the promoters of other routes) on costs and financial viability. This would mean continuing uncertainty, would give us a firmer foundation for a decision, but would lead to severe criticism from Conservative colleagues, the opposition and the media for unnecessary delay.

(iii) Publish now the proposals for the BR, Arup and Newham proposals or public comment during the summer - in parallel with the

further work at (ii). This would enable us to take account of the public reactions in reaching a final decision and would have the merit of openness, but it would have the disadvantage of causing blight on all 3 routes, and it is unclear what powers or provision there would be for any compensation to be paid on all 3 routes.

My firm recommendation is that we should go for the first option.

I am copying this minute to the Chancellor of the Exchequer and to the Secretary of State for the Environment.

MR

MALCOLM RIFKIND

5 July 1991

The French are a bit cavalier about this. I will recall that if I am pressed to do something inconvenient for them.

PRIME MINISTER

CHANNEL TUNNEL: VISIT TO FRANCE 29 JULY

I'd prefer not to reinstate lunch but is Norma ingoing.

The French would like to cancel the Channel Tunnel engagement you and President Mitterrand had agreed on for Monday 29 July. Their little change I think.

After agreeing that the meeting would start at 1430 near Calais, Morel telephoned from the Elyseé earlier in the week to say that the President could not arrive until 1530. Since you would have to leave by 1715 (at the latest) to get to Glyndebourne, this would have allowed no time for talks.

Yesterday, Morel telephoned to say that the French recce team had now been to the site: it was nothing but mud with no redeeming features. If we wanted to go ahead, the French would of course try to make it a success but .....

I have spoken to our Embassy in Paris who see no real problem about cancelling the engagement. Gus agrees. We would make a low-key announcement, perhaps during the Economic Summit, saying that you and the President had decided to find another opportunity to meet in the autumn when you would have more time to talk.

Part of the original plan had been that you would stop off at Cheriton (near Dover) on the way over to France for a photocall at the UK Channel Tunnel site. I would be in favour of sticking with that if we can rework the timings on that day.

Agree to cancel the Channel Tunnel event? Should we try to reinstate your earlier programme, including lunch with the Rentons?

J. S. WALL

5 July 1991

C:\foreign\channel (pmg)

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

3 July 1991

Dear Christopher,

CHANNEL TUNNEL EVENT: 29 JULY

Pierre Morel (Elysée) telephoned yesterday to say that President Mitterrand could not now be available to start the Anglo-French Channel Tunnel event on 29 July until 1530 local time. Was there any possibility of the Prime Minister postponing his departure?

Through gritted teeth I said that I would look to see if there was any leeway. I have not yet had precise flight times by helicopter and these might give us a little flexibility. I am waiting for helicopter timings and will then go back to Morel. We may need to push the French to start a bit earlier. We cannot have a meeting which makes any sense at all for less than about two hours.

The French have also reversed the proposed direction of the Tunnel event. The idea now is that the President and Prime Minister should meet at the terminal and go by sea towards the mouth of the Tunnel where they would greet the Franco-British team emerging from the Tunnel and unveil a plaque and make speeches. Quite where they would have talks under this scenario is not clear, but the talks may anyway disappear in the curtailed programme.

I told Morel that the Prime Minister would be stopping off at Cheriton on his way over and that if a French Minister wished to join him there he or she would be very welcome even though the event at Cheriton would be essentially a photocall. Morel responded positively to this and will get back to me. He said he thought it virtually certain that the French Minister of Transport would anyway be present for the ceremonies at Sangatte.

I told Morel that our own official team for the ceremony would be quite small. The French are obviously keen to make it a fairly large event. I said I imagined that Euro Tunnel would have quite a lot of people who might want to be present.

I am copying this letter to Simon Whiteley (Department of Transport) and Sonia Phippard (Cabinet Office).

Yours,

Stephen

(J.S. WALL)

Christopher Prentice, Esq.,
Foreign and Commonwealth Office.

SUBJECT & MASTER

MR POTTER

CALL ON THE PRIME MINISTER BY MR EDWARD HEATH: CHANNEL TUNNEL LINK

When Mr Heath called on the Prime Minister this afternoon, he raised the question of the Channel Tunnel Link. His basic message was that the idea of routing the link north of the Thames was impractical. There was no alternative to spending money on deep cuts and tunnels. This would require public expenditure. This was a national problem and could not be financed by British Rail or private enterprise alone.

Mr Heath said his constituents were still suffering from blight. British Rail had only bought up houses for about six weeks after the original announcement. They had then sold the houses they had bought at very low prices. This had affected house prices in the whole area, as had the fact that nobody would buy houses while there was uncertainty about the route. This situation would persist until a final plan was available.

The Prime Minister said that he had been pushing Mr Rifkind to get British Rail to publish their plan and it should be a definitive plan. Four different options would not be a good idea. He did not comment on Mr Heath's point about public investment.

The Prime Minister indicated that he would follow up with Mr Rifkind the points made by Mr Heath.

J. S. WALL
2 July 1991

C:\FOREIGN\HEATCHAN (DAS)

CONFIDENTIAL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

1 July 1991

Dear Richard,

CHANNEL TUNNEL: 29 JULY

I have discussed with the Department of Transport, the Elysee and Sir Alastair Morton arrangements for the Prime Minister's meeting with President Mitterrand at the French end of the Channel Tunnel on Monday 29 July.

I enclose an outline programme. The timings are approximate in that I do not have precise flight times. I should be grateful if these could be provided. I have, however, agreed with Morel that we should start at 1430. I have told Sir Alastair that the Prime Minister would be happy to give him a lift from Cheriton to Sangatte. Mrs. Major will not accompany the Prime Minister.

I do not think there is any need for a Minister to go with the Prime Minister. Most of the events will be ceremonial and the half hour or so of talks will just be the two principals plus note-takers. If, however, Mr. Rifkind wanted to be there, or wanted another Minister from the Department of Transport there, I am sure this would be welcome to the Prime Minister. Perhaps his office could let me know.

I shall be in touch separately about the Prime Minister's speech.

I am copying this letter and enclosure to Simon Whiteley (Department of Transport) and to Sonia Phippard (Cabinet Office).

Yours,

Stephen

(J. S. WALL)

Richard Gozney, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

THE CHANNEL TUNNELL: 29 JULY

OUTLINE PROGRAMME

1130 Leave London by helicopter

1200 Arrive Channel Tunnel workings at Cheriton.
Photocall with British Channel Tunnel workers.
Visit the site.
Sandwich lunch.

1300 Depart Cheriton by helicopter for Sangatte

1430 (BST + 1)
Arrive Sangatte
Met by President Mitterrand

Descend to Tunnel entrance with President Mitterrand.
Greet Franco-British team who have come through the Tunnel from the British end.
Travel with President Mitterrand underground from Tunnel landing point to Calais terminal.
Unveil plaque.
Speeches.

1600-1630 approx
Talks with President Mitterrand

1630 Leave Calais by helicopter

N. will go to lunch.

PRIME MINISTER

THE CHANNEL TUNNEL: 29 JULY

I have discussed with the Elysée, Sir Alastair Morton and the Department of Transport arrangements for the Channel Tunnel Event on Monday 29 July. The outline plan is as follows:

1130 Leave London by helicopter

1200 Arrive Channel Tunnel workings at Cheriton.
Photocall with British Channel Tunnel workers.
Visit the site.
Sandwich lunch.

1300 Depart Cheriton by helicopter for Sangatte

1430 (BST + 1)
Arrive Sangatte
Met by President Mitterrand

Descend to Tunnel entrance with President Mitterrand.
Greet Franco-British team who have come through the Tunnel from the British end.
Travel with President Mitterrand underground from Tunnel landing point to Calais terminal.
Unveil plaque.
Speeches.

1600-1630 approx
Talks with President Mitterrand

1630 Leave Calais by helicopter for

1615 approx (BST)
Arrive Glyndebourne.

If you are generally content with this outline, I will discuss it further with Sir Alastair Morton and with the French. I have told Sir Alastair Morton that you would happily take him across the Channel in your helicopter.

Madame Mitterrand will not be there, but I see no reason why Mrs. Major should not come if she would like to do so. There will be the half-hour of the talks when she would need to have a separate programme, but I imagine there is plenty to see.

We could arrange for your glad rags to be taken by car direct to Glyndebourne, so that you could change there after arrival.

You have already accepted that this plan will mean missing the Rentons' lunch for you on that day. Perhaps you could let me know whether Mrs. Major will go to the lunch on her own, or will come with you to Calais.

Stephe

(J. S. WALL)
27 June 1991

tmw a:channel

R 216

ANDREW TURNBULL

ARUP RAIL LINK

I have been helping Arup as a lawyer! I attach their nutshell. Their bull points are:

1. They alone provide a proper freight route to London from the continent;

2. They score on environment;

3. The route helps the most depressed part of London and thereafter can easily be connected to the rest of the north and west of Britain;

4. The net cost is less, allowing for their risk and cost overrun avoidance procedures.

I hope we can meet someday soon. Mark Bostock of Arup sends his greetings.

HARTLEY BOOTH Hartley.
21.6.91

CHANNEL TUNNEL RAIL LINK

THE ARUP EASTERN APPROACH

Report to The Secretary of State for Transport
Executive Summary
June 1991

Ove Arup Partnership
13 Fitzroy Street
London W1P 6BQ

CHANNEL TUNNEL RAIL LINK

Report to The Secretary of State for Transport on

The Arup Eastern Approach Route

Executive Summary

A. Introduction

A1 The construction of this new railway, the first in Britain for over 100 years, presents an opportunity to improve transport facilities and could provide the key to greater prosperity throughout the country. The choice of the route into London and the facilities offered by each route is a decision of national importance.

A2 The Eastern Approach Route has been developed by Ove Arup Partnership as an alternative to the Southern Route now recommended by British Rail. After 2½ years of engineering study, Arup persist with the view that this scheme makes more engineering sense, is environmentally better than the Southern Route and offers more benefits to Britain as a whole. The attached map shows the British Rail Southern Route in Red, the Arup Eastern Route in Blue.

B. The main points in favour of the Arup Eastern Route are as follows:

B1 This route alone provides for a new European Standard rail freight route to the Continent, initially from North East London, capable of being extended to serve the needs of the North, the West and the North East of England, Scotland and Wales.

B2 The Arup route is environmentally far less damaging and therefore is more widely accepted by the public.

B3 It will bring major economic benefits to the most depressed part of London and the East Thames Corridor.

B4 It arguably incurs no extra cost and could cost less because it has been engineered to reduce risks of cost over-run.

B5 It will provide enhanced commuter services to people living in South Essex, East and Mid Kent.

B6 Like the Southern Route it provides a high speed passenger railway to Europe, but with a wider choice for London passengers (three London stations instead of two) and the choice to use a park and ride service at Stratford.

C. Arup engineers have worked closely and in harmony with British Rail engineers to reach agreement over a number of issues. However, the "Base Case" presented by Arup goes beyond the terms of reference agreed with BR by introducing freight facilities.

C1 With minor exceptions, we agree the 43 kilometres from The Channel Tunnel to a point south west of Detling in the North Downs.

C2 King's Cross and Waterloo are both served by the high speed rail link. Stratford is an additional through station on the Eastern route.

C3 Commuters are dispersed on the Eastern Route at Stratford and Liverpool Street; at Ludgate (St Pauls) and Farringdon on the Southern Route. King's Cross is a dispersal point off peak for both routes.
Note: Liverpool Street station is a dispersal point only if Cross Rail is complete.

C4 There is agreement on the cost comparison and there is acknowledgment that the Eastern Route meets the operational requirements of British Rail for passengers.

Why should the Government and Britain itself choose the Eastern Route?

D Firstly Freight:

D1 The gauge is UIC B+ which is standard for much of Europe. Gradients provide for freight traffic at minimum speeds of 120 k.p.h. from The Channel Tunnel through to Temple Mills north of Stratford. This will introduce compatibility of rolling stock from the capital of Britain to the heartland of Europe.

D2 The Eastern Route provides at no additional cost for 30 freight trains paths per day to and from Temple Mills, north of Stratford. By adding passing loops this capacity will increase to 60 trains per day. Lines can be extended beyond London in a later phase of development - during the first phase, after the high speed rail is complete, trans-shipment would take place at Temple Mills either on to road serving London and the South East or on to rail for long haul journeys to the west of Britain. It would herald the beginning of a new freight rail network in Britain compatible with European standards bringing efficiency and advantages to the whole of Britain.

E Secondly the Environment:

E1 The Eastern Route is engineered to achieve minimal disturbance to residents of Kent and East London. There are no houses to be demolished over 63 kilometres of railway in this densely populated area. Only 5 houses are situated within a band of 100 metres each side of the track. Compare

the Southern route which requires the demolition of 88 houses and passes within 100 metres distance of 1900 houses.

E2 Where the Eastern route railway passes near the outskirts of Gravesham district the line is located mainly in cuttings about 200 to 400 metres from the M2 motorway which forms a barrier between the railway and the housing. Tree planting between road and rail will add further to screening and reduce noise and visual intrusion to a minimum. Similar devices are adopted elsewhere.

E3 The Southern route traverses the Boxley valley in elevated viaduct. This area is described by BR's aenvironmental consultants as being "historical park landscape, conservation area and woodlands."....an area of outstanding natural beauty.

E4 The Eastern route also passes through areas of outstanding natural beauty but bored tunnel is used so as to avoid damage to the environment.

F Thirdly, the route through London:

F1 Taking an overview of Greater London, the North East quadrant contains most dereliction and most unemployment in London. Congestion, particularly round Docklands is notorious and on any social or economic yardstick this quadrant is in most need. The Eastern route will bring improved transport and so economic improvement to the area and will in particular assist at:

F2 Havering: The Rainham site of 1900 acres has been described by Borough Council leaders as a "dump". It is nevertheless the largest available unused site within the M25. The Ministry of Defence owns most of the land, some 1300 acres - there is planning approval in place for a major recreational development including appropriate covenants to preserve and maintain the natural habitat of the Thames marshes.

F3 Barking: British Gas regeneration of their derelict site at Beckton and adjacent land (880 acres) at Barking Reach could be boosted.

F4 London Docklands: by enabling passengers to join the new Jubilee Line and Docklands Light Rail at Stratford the viability of this new station as a spur to urban regeneration will be advanced.

F5 Newham: Enhanced use of the 180 acre land holding of British Rail at Stratford could provide the stimulus for a new commercial and business centre at the junction of Tower Hamlets and Hackney.

F6 The freight radial point at Temple Mills has already been mentioned. In addition domestic passengers brought in at high speed can transfer at Liverpool Street for the East Coast and

at King's Cross to the North and Scotland. Further links to the West can be achieved through the North London Line and Cross Rail when it is constructed.

G Fourthly, Cost of Construction:

G1 A Summary of the cost comparison of the two routes as agreed between British Rail and Arup is set out below:

Cost Comparison based on September 1990 prices

	BR Short Tunnel Option £m	Arup Base Case £m	Real Differences £m	
Route	2773*	2885*	+112	
Stations:				
- Mid Kent	41	39	-2	
- King's Cross	610	610	0	
Total construction	3424	3534	+110	(3.2%)

* includes the cost of western section (Tunnel Portal to Detling) assumed to be £632 million.

G2 Included in the Arup route cost is the sum of £91 million for the 2.2 km of track and junctions enabling effective links to be secured for the high speed railway to Liverpool Street station. This will be feasible only when Cross Rail has been completed.

G3 This cost is before allowance is made for Arup's cost overrun avoidance, which should more than offset the difference.

G4 The cost of Stratford Station is not included in the estimates given in G1 above. Net of receipts the construction cost of this station is estimated at £250 million.

G5 Development gain from the Eastern Thames Corridor. Arup do not put themselves forward as developers. But they have accepted the evidence of property experts that the sites listed under F could have considerably enhanced value with access to the Eastern Corridor route. In the case of the Stratford station, the cost of the improved station is set against development gains.

G6 Compensation claims by some 2,000 home-owners. Although most, if not all, of the 2,000 home-owners affected by the BR route will not be entitled to compensation through compulsory purchase or under existing legislation, nevertheless we have

been advised by lawyers that it would be prudent to anticipate claims for compensation for nuisance from residents who live close to the proposed lines where there is evidence of severe airborne and - worse - re-radiated noise. This should be set against projected cost evaluations.

G7 Cost overrun avoided. Arup have concentrated their efforts on avoiding engineering hazard and uncertainty and consequently on avoiding cost overruns.

1 Tunnelling through the sub-strata found in South East London should be avoided if possible. The ground conditions are mostly saturated gravels with inherent instability and uncertainty.

2 Track laying over a length of 16 kilometres alongside existing four track commuter railway in South London will introduce a high risk of cost overrun on the Southern Route. There is no such high risk work on the high speed rail on the Eastern Route.

3 Submerged tube construction for crossing under the Thames on the Arup Eastern route is cost-effectice because it avoids tunnelling in the gravel bed of the river.

H. Conclusion

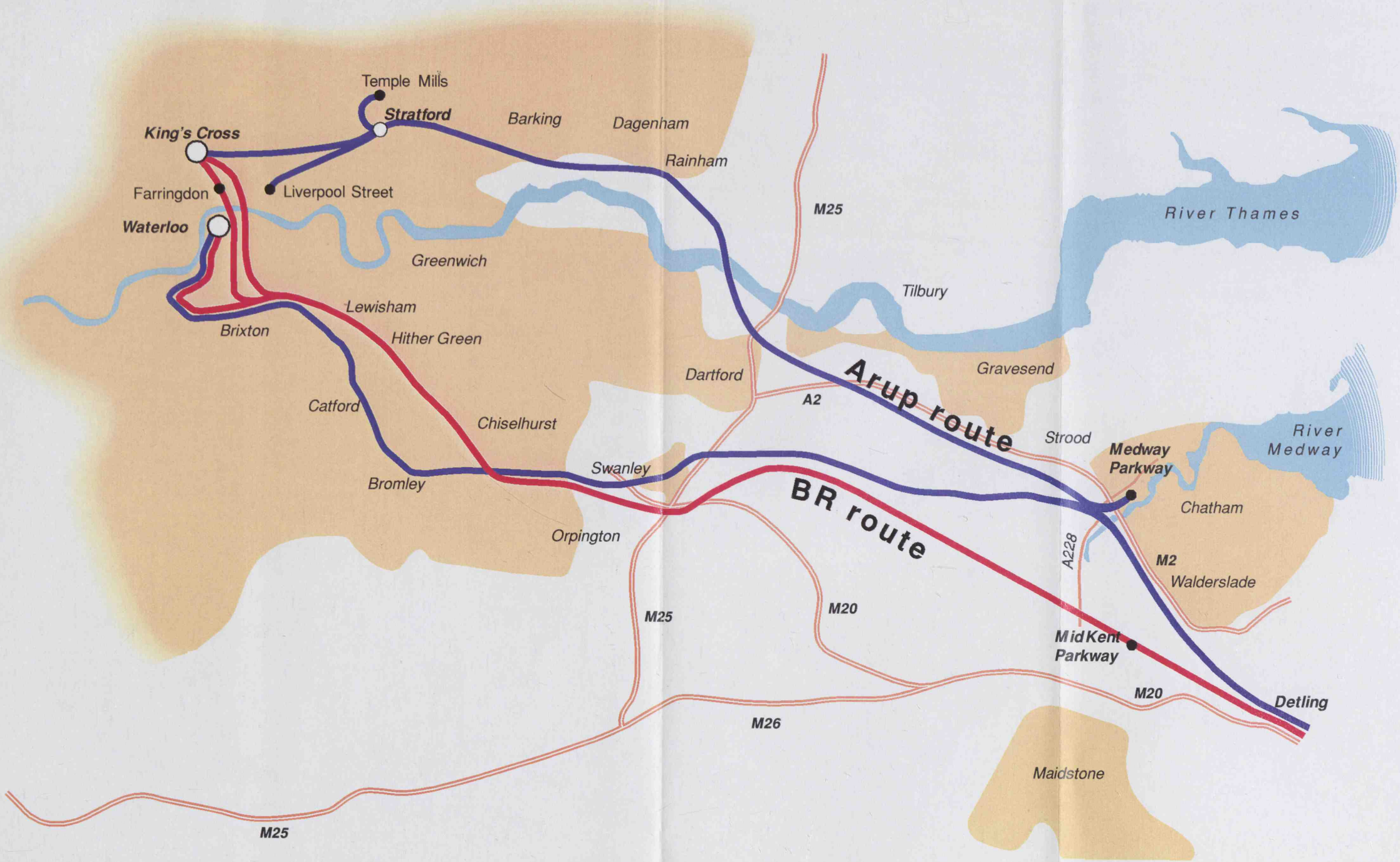
H1 In conclusion, Arup believe that there is an overwhelming national transport interest supporting the Eastern Route particularly in order to help Britain's trade and conserve our environment. Passengers under both schemes will benefit. Private citizens who will have fewer lorries congesting their roads will also benefit.

H2 The Arup Eastern Route involves lower risk of cost overrun and as a result is more robust even though there is no significant cost difference between the two approaches as estimated now.

H3 Finally, from the consultation and research conducted by Arup they are confident that the Eastern Route will command a much wider level of public support than the Southern alternative.

HIGH SPEED RAIL LINK

ALTERNATIVES - DETLING TO KING'S CROSS



PRIME MINISTER

Not keen.
But I'll do 29/7 if
unavoidable.

CHANNEL TUNNEL

Some time ago Alastair Morton suggested that you and President Mitterrand might go to the Channel Tunnel workings in France on Monday 29 July, the fourth anniversary of the signing ceremony at the Elysée Palace of the Channel Tunnel Treaty.

That event looked like falling by the wayside when next week's Anglo-French Summit was fixed in Dunkirk. The original idea was that there should be enough time for you and President Mitterrand to visit the Channel Tunnel workings near Calais. Because the French have squeezed the programme that is no longer possible. I had also warned the French that 29 July could be difficult for you because of other engagements.

The French have now come back (in the person of Morel at the Elysée) to propose that you and the President should visit the Channel Tunnel workings on the afternoon of either Monday 22 or Tuesday 23 July.

Both these days are very bad, but Monday 29 July might not, after all, be impossible <u>if</u> you are prepared to move your lunch with the Rentons. You could then either go in the morning coming back in the early afternoon or go late morning for a lunch and perhaps fly straight back in time for Glyndebourne (I am sure we could make arrangements for you to change at Glyndebourne itself).

Are you prepared to consider this in principle? If so I will work up a detailed plan.

Stephen

(J.S. WALL)
<u>19 June 1991</u>

c:\foreign\channel (ecl)

Saturday 20 July

2000	ALCONBURY BRANCH SUPPER + MRS MAJOR

Sunday 21 July

1230 FOR 1300	CHEQUERS LUNCH

Monday 22 July

0915	Vanity Fair Photo session +PB
0945	Party Chairman, Chief Whip, +GB, JC, SH, GO, AT
1030-1100	Parliamentary Business Managers + GB
1230	Diary Meeting
1300 for	
1315	Lunch for colleagues
1500-1630	Chair ACOST meeting + AT
1630	Keep free for box
1730	DEPART FOR
1800-2000	MADAME TUSSAUD'S + MRS. MAJOR

Tuesday 23 July

0800	Breakfast meeting with SH
0900	Questions briefing
?0930	Cabinet
1030-1130	Keep free for box
1130	Change into Morning Dress for:
1200	DEPART NO.10
1210	ARRIVE VICTORIA STATION FOR
1230	ARRIVAL OF STATE VISITOR, PRESIDENT OF EGYPT + MRS. MUBARAK
1240	RETURN TO NO.10
1300	Lunch and Questions briefing
1515	QUESTIONS
1535	TED ROWLANDS MP
?1600	? CONSERVATIVE PEERS
1700	DEPART FOR NO.10
1715-1800	Keep free for Party Conference speech meeting + JC, SH, NT
1950-2010	ARRIVE FOR
2030	STATE BANQUET + MRS MAJOR [EVENING DRESS]

Wednesday 24 July

?AM	"TOPPING OUT" CEREMONY FOR THE PHILIP HARRIS HOUSE + MRS MAJOR & BP
1200	Talks with Egyptian President + SW, FCS & HMA
1300 for 1330	Host Lunch for Egyptian President + Mrs. Major
1500-1600	Keep free for box
1600	Constituency photographer, Ron Bailey + NM
1700	Foreign and Commonwealth Secretary + SW
1730	Chancellor of the Exchequer + BP
1830	AUDIENCE

Thursday 25 July

0900	Questions briefing
0930	GEN 4
1100	Cabinet
1245	Lunch and Questions briefing
1515	QUESTIONS
1545	KEEP FREE FOR MPs

1600	DEPART FOR:
1615	ADDRESS BUSINESS IN THE COMMUNITY MEETING + AT
1715	RETURN TO NO.10
1730	Sir Robin Butler + AT
1815	Look in on Private Secretaries' Party
1900	Prepare for EGYPTIAN PRESIDENT'S RETURN BANQUET + MRS MAJOR [EVENING DRESS]

Friday 26 July

CRICKET MATCH (EDGBASTON)
MENCAP BALL + MRS. MAJOR

Monday 29 July

1315 FOR 1330	LUNCH WITH MR. AND MRS. TIM RENTON + MRS. MAJOR FOLLOWED BY
1710	LEAVE FOR
1730	GLYNDEBOURNE ? RETURN TO HUNTINGDON

Tuesday 30 July

?1830	? PAVAROTTI CONCERT IN HYDE PARK + MRS. MAJOR & EM

Wednesday 31 July

0815	Ian Matthews
1500	OFFICIAL OPENING CEREMONY OF KEN BARRINGTON CENTRE, + MRS MAJOR
1700	Foreign and Commonwealth Secretary + JSW
1730	Chancellor of the Exchequer + BP
1830	AUDIENCE

Friday 2 August - Monday 12 August

OVERSEAS

Friday 16 August

? SURREY COUNTY CRICKET CLUB DINNER TO WIND UP
YOUTH CRICKET YEAR + MRS MAJOR

Sunday 18 August

CRICKET MATCH (OLD TRAFFORD)

Friday 23 August

CRICKET MATCH (LORDS)

Saturday 24 August

CRICKET MATCH (LORDS)

Friday 6 September

REGIONAL TOUR (SCOTLAND)

Saturday 7 September

am	? REGIONAL TOUR (SCOTLAND)
Lunchtime	BALMORAL + Mrs Major and AT

Sunday 8 September

BALMORAL

A: CHANNEL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

18 June 1991

CHANNEL TUNNEL RAIL LINK

The Prime Minister was grateful for your Secretary of State's minute of 14 June.

The Prime Minister was much reassured by your Secretary of State's confirmation that the outstanding information required from BR has either been received or should shortly be forthcoming.

He has noted that, although the timetable has become extremely tight, it remains your Secretary of State's objective to provide a report to the Prime Minister by the end of this month. The Prime Minister very much hopes that your Secretary of State will be able to meet this deadline; and that the Government will be able to announce a decision on the choice of Channel Tunnel Rail Link route before the summer recess.

I am copying this letter to Jeremy Heywood (HM Treasury), Phillip Ward (Department of the Environment) and Sonia Phippard (Cabinet Office).

BARRY H. POTTER

Simon Whiteley, Esq.,
Department of Transport.

Prime Minister

To see. Yr at para 4 is not the unequivocal assurance you had sought. I will check on Monday a.m. whether they/we are satisfied.

If so, content to accept Mr Ritchie's assurance despite its equivocation.

RTP

PRIME MINISTER

CHANNEL TUNNEL RAIL LINK

Yes

1. You asked, through your Private Secretary's letter of 10 June to mine, about the further information we need from British Rail and whether I can confirm that the inter-departmental report can be completed in time for a Government decision to be announced by the end of July.

2. Officials from the Treasury, the Department of the Environment, and my Department have identified and asked British Rail for the further information that is necessary to enable us to make a properly informed decision. They have sought to distinguish between what might be desirable and what is absolutely essential. It includes most of the missing material identified in the Chancellor of the Exchequer's minute of 5 June; on one or two of those items, further work by British Rail could not be done quickly or would, in my judgement, not take us very much further forward. Where lack of information could affect the interpretation of data, that will be brought out in the inter-departmental report.

3. The requested material has been coming in fast in the past two or three weeks, the Treasury and DOE officials have, of course, been seeing it as well as mine. British Rail had expected to deliver what is still outstanding by the end of this week, but I have just this afternoon heard that some of it, relevant to the first item listed in the Chancellor's minute, will not be with us for another week yet. Fortunately this material should not affect a decision between the routes, but it is relevant to the overall viability of the project which may be a question we have to take into account in deciding how to proceed.

4. Although the timetable has now become extremely tight, it is still my objective to let you have a report by the end of the month.

5. I am sending copies of this minute to the Chancellor of the Exchequer, the Secretary of State for the Environment, and Sir Robin Butler.

Simon Whitaley

for MALCOLM RIFKIND

14 June 1991

(approved by the Secretary of State and signed in his absence)

14.06
1991

CONFIDENTIAL

economic/channel
KW

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

10 June 1991

Dear Simon,

THE CHANNEL TUNNEL RAIL LINK

The Prime Minister was grateful for your Secretary of State's minute of 3 June, setting out the proposed timetable for completion of the internal report on options for the Channel Tunnel Rail Link and the announcement of the decision. He has also seen the Chancellor's minute of 5 June on this subject.

The Prime Minister has noted that the timetable has slipped behind that discussed with your Secretary of State on 10 May. He appreciates, however, that British Rail's failure to send full information to the Department in good time has led to the delay.

The Prime Minister considers that it is essential to clarify now what further information from British Rail is still needed; and how and when your Secretary of State expects to receive it. Accordingly, the Prime Minister would be grateful if you Secretary of State could indicate urgently what arrangements he is making to get hold of the information required. In the light of that further indication from your Secretary of State, the Prime Minister hopes Mr Rifkind will be able to confirm that the inter-departmental report can be concluded and the Government's decision announced by the end of July.

I am copying this letter to Jeremy Heywood (HM Treasury), Phillip Ward (Department of the Environment) and to Sonia Phippard (Cabinet Office).

Yours,
Barry

BARRY H POTTER

Simon Whiteley Esq
Department of Transport

CONFIDENTIAL

MCT

(1)

PRIME MINISTER

Content to write in first instance (ask for speedy reply) / Seek confirmation of (i) but do not threaten (ii) unless (i) is impossible. 4/10.6

CHANNEL TUNNEL RAIL LINK

You saw earlier Mr Rifkind's minute of 3 June indicating that completion of the inter-departmental report on options for the Channel Tunnel Rail Link was unlikely before the end of June. That would mean an announcement should just be possible before the end of July.

Although you indicated that you were content, I did not write out - but checked whether Treasury were also satisfied that this time table was practicable.

The attached minute from the Chancellor clearly brings out their doubts. These doubts are shared by Jonathan in the Policy Unit (see attached note). It is of course unclear how far the delay is attributable to lack of appropriate information from BR; and how far DTp themselves have not attacked the exercise with sufficient vigour.

Policy Unit suggest you write to Mr Rifkind asking what information from BR is still needed; how he will get it; and when the announcement will be made.

Treasury see the choice more starkly.

i) Either Mr Rifkind must undertake now that he will complete the report and indicate the Government's decision by no later than the end of July;

or

ii) Mr Rifkind should make public now that, due to the absence of adequate information from BR, no decision will be possible until after the summer recess.

I see the Treasury point.

i) Content for this choice to be put to Mr Rifkind? Or

ii) Prefer to seek more information, as Policy Unit suggest?

BHP

BARRY H POTTER
7 June 1991

c\economic\transport (kw)

CONFIDENTIAL

PRIME MINISTER

6 June 1991

CHANNEL TUNNEL RAIL LINK

At your last bilateral with Malcolm Rifkind you stressed the importance you attached to having speedy recommendations on the preferred route for the Channel Tunnel Rail Link. Mr Rifkind has written to bring you up to date.

In his minute he says that:

- the information provided by BR is incomplete (Mr Lamont's minute provides a list of a number of rather significant gaps);

- he will not therefore be in a position to make an announcement by the end of June (itself after the deadline you set him at your bilateral);

- he "intends" to announce a decision before the end of July;

- if we go for BR's preferred route we are likely to be able to make an announcement earlier than if we go for one of the other options.

When we last discussed the CTRL you made it absolutely clear that we had to narrow the options down to one as rapidly as possible. The political damage which could be caused by delay and leak are self-evident. It is therefore worrying that Mr Rifkind does not seem to have got a firm grip on this. We simply cannot afford to get to the end of July only to discover that we don't have enough information on which to base a sensible

CONFIDENTIAL

decision, and either have to stick a pin in or delay an announcement. Although it is true that the issue has not so far taken off in the way that we all feared it might, we cannot bank on being able to keep the lid on it indefinitely. In particular, we should bear in mind that the incentive for BR to leak increases as time goes by - particularly if they sense that we are seriously considering the other options.

Treasury suggest that given the inadequacy of the information provided so far we should think of announcing publicly that because of BR's shortcomings we will need more time if all the options are to be given fair consideration.

I do not think that we have yet got to this stage. But what is clear is that Mr Rifkind has to give us an assurance that we will have all the information we need from BR in order to reach an informed decision **before the Recess**. To do that, he will have to do what has not been done so far: get involved in the process, bang the table with Bob Reid and apply the screws to BR.

My view is that as a matter of urgency, Mr Rifkind should be asked to provide a list of what information we still need, what he is doing to get it, and when he expects to have it, and when he will make an announcement.

JONATHAN HILL

(153)

chex.ps/sj2/43 **CONFIDENTIAL**

CSPU

Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000

PRIME MINISTER

with JSU/CHP

CHANNEL TUNNEL RAIL LINK

I was grateful to Malcolm Rifkind for sending me a copy of his minute of 3 June, and to his officials for involving mine and Michael Heseltine's so closely in the work that has been done to date.

2. Clearly it would be highly desirable to make an announcement before the Recess. However, as Malcolm says, the material provided by BR is far from complete:

(i) the 'base case' or 'do nothing' scenario is not clearly specified in the documents. Discussions with BR make it clear that it is not well defined within BR either;

(ii) it is not sufficiently clear when and if capacity for international services will be exhausted. There is also no analysis of the impact on NSE commuters of transferring existing paths from domestic to international services, or of other alternative ways (other than a completely new railway) of providing extra international capacity;

(iii) the forecasting methodology used to assess demand and revenue is - on the admission of BR's own consultants - based on inadequate data and modelling assumptions. A substantial amount of extra work is needed to rectify this;

(iv) the costings of the various proposals put forward by BR, the London Borough of Newham, Ove Arup and others, have not yet been agreed between the parties. Nor do we have any independent assessment of the likelihood of cost escalations - which must be particularly likely with the extensive and complex works proposed at Kings Cross, and with the proposal to widen an existing railway in South East London from 4 tracks to 6;

(v) even on BR's figures, the choice between the options identified (on both financial and economic criteria) is pretty close, and we do not know the effect of many key sensitivities on this choice - in particular delaying the opening of the line until it is financially viable; and

(vi) the analysis of external benefits and costs - both quantified and non-quantified is incomplete. We need to know the effect of the various options on the country as a whole, the balance of growth between the South East and the rest of the UK, and the balance of development and regeneration within the South East.

3. Until we have a proper analysis of the options it is impossible to take an informed decision between the routes currently proposed. As Malcolm says there is a real risk of taking the wrong decision and discovering the holes in it afterwards. This could of course lead to judicial review.

4. I have no interest in delaying an announcement. However it is clearly important on such a sensitive issue that BR should produce an adequate analysis to form the basis for Ministerial decisions. The considerable additional work this will require will therefore need to be completed very quickly if we are to make an announcement before the Recess.

5. If that looks to be impossible, an alternative way forward would be to make an early announcement that:

(i) BR's work is not adequate. We have spent a month looking at it and much more time is needed;

(ii) this extra work will be done over the Summer;

(iii) we will announce a decision on which route to safeguard no later than the end of the year, taking account of all the views of all the interested parties; and

(iv) in any event, it will be for the privatised railways companies to decide whether and when to build a new line, once the substantial investment in the "Phase I" passenger services to Waterloo over existing tracks is up and running, the tunnel is open, and potential operators and financiers have some idea of demand.

6. If such a strategy is to work we need to act soon. BR sent their material to Malcolm at the end of April. The longer the wait the easier it will be for BR to accuse the Government of indecision. This criticism would be unfair but it could well stick.

7. I am copying this minute to Malcolm Rifkind, Michael Heseltine and Sir Robin Butler.

[N.L.]

5 June 1991

CONFIDENTIAL

Prime Minister
This was stimulated by us - because DTp seemed to be slipping on the timetable.
I recommend you ask firmly for DTp to stick to the timetable at Y. (DTp are expecting & will comply).
On the substance, no decision on the route has yet been taken. But the expectation in DTp Private Office is that the BR route (the southern through Swanley) will be favoured. It is no worse on costs. It has larger benefits for the commuter network
BTHP 5/6

PRIME MINISTER

THE CHANNEL TUNNEL RAIL LINK

1. At our discussion on 10 May, I undertook to consult the Chancellor and the Secretary of State for the Environment about the various options for this project, with a view to letting you have firm recommendations as soon as possible.

2. With their agreement, I accordingly set up an inter-departmental group to prepare an urgent report for us - the No.10 Policy Unit is represented.

3. I am glad to report that good progress is being made; but it has become clear that the material British Rail sent me was incomplete and that we need additional facts and figures from them in order to satisfy ourselves about the choice of route: we do not, of course, want to find out after the preferred route has been announced that the case is full of holes and that we cannot defend it. Some of the additional information has been provided and I hope to receive the remainder shortly.

4. All this has inevitably delayed some of the inter-departmental work and it now seems unlikely that a final report can be ready before the end of June. I am still intending to be in a position to announce a decision before the end of July and hope to be able to consider an interim report shortly. I understand that there is a broad measure of agreement at official level between the departments concerned on a number of key issues which could usefully be cleared out of the way in advance. If the final advice is to accept British Rail's proposals, the timing of an announcement is likely to be earlier than would be the case if we decided in favour of one of the other options. In that eventuality, we should have to consider how to handle consultations on an option that BR were not themselves willing to take forward and which might be more expensive.

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5. I am sending copies of this minute to the Chancellor of the Exchequer, the Secretary of State for the Environment and to Sir Robin Butler.

MR

MALCOLM RIFKIND

3 June 1991

TRANSPORT: Channel Tunnel PTB

MR POTTER

cc Mrs Hogg

31 May 1991

CHANNEL TUNNEL RAIL LINK

As I mentioned to you on Wednesday, we are getting into difficulty about the timing of an announcement on the CTRL.

You will remember that when the Prime Minister met Mr Rifkind, we asked for a recommendation from DTp within two to three weeks. That deadline has of course already passed. Within the Department, they have until recently been talking about aiming to be in a position to make an announcement by the end of June. Now they are saying that it **may not be possible to announce our decision before the Summer Recess.**

The reason for the delay appears to be that BR have quite simply failed to provide DTp with the full information they need to reach an informed decision. Yes, they provided the documents to time - Bob Reid's proud boast - but to do so they had to skimp. Furthermore, information on the alternative routes is much more sketchy than that provided for the BR preferred route.

You and I have already discussed the desirability of Mr Rifkind minuting the Prime Minister to let him know where things stand. But I just wanted to add a further thought. Given the inadequacy of the information offered by BR, and given the timing constraints and the political sensitivities, I think that we will have to make a clear choice between:

(i) taking a "punt" on one of the routes on the basis of incomplete evidence;

(ii) making it known - either directly or indirectly - that BR has yet again fallen down on the job and failed to give us the information we need. We would make it clear that we wanted to reach a speedy decision but were being frustrated by BR who were effectively denying the other options a fair hearing.

If we were to decide to go for the second option, we would obviously have to make it known sooner rather than later. We have had BR's report for a month - surely long enough to discover that it is full of holes. It may be that officials can still get BR to cough up the necessary information in time for us to reach a sensible decision before the Recess. But we have to plan for - perhaps the more likely outcome - that BR will fail to deliver the goods.

I am sure that the Prime Minister should be made aware of what is going on. The question is, should Mr Rifkind do it - preferably early next week - or should we?

JONATHAN HILL

126.JH

CONFIDENTIAL

File
c:\wpdocs\foreign\
Tunnel MRM

bcc PC
JR

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

17 May 1991

Dear Simon,

ANGLO/FRENCH SUMMIT: CHANNEL TUNNEL

As you know, Sir Alastair Morton has been looking for an Anglo/French event associated with the Channel Tunnel. He suggested that the Prime Minister and President Mitterrand might visit the Tunnel on 29 July, the 4th Anniversary of the signing ceremony.

The Prime Minister wrote back suggesting that the French might have in mind something connected with the Tunnel during the Summit on 24 June and that if this happened, he doubted whether an event a month later would be feasible.

Sir Alastair wrote back to suggest that President Mitterrand might escort the Prime Minister from Lille to the Tunnel shaft at Sangatte and that the Prime Minister and Foreign Secretary might then travel home to England on the construction train.

I enclose a copy of a letter from Judith Ritchie in the Department of Transport which makes it clear that on time grounds alone, the journey through the Tunnel will not be possible. I shall need to get back to Alastair Morton before very long. It would be very helpful to know what the French do have in mind. The Prime Minister would be very happy to do something connected with the Tunnel, provided this enables him to be back at No.10 no later than 1600 BST.

I am copying this letter to Judith Ritchie.

Yours,
Stephen

J.S. WALL

Simon Gass, Esq.,
Foreign and Commonwealth Office

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THE DEPARTMENT OF TRANSPORT

KJS15

FROM THE SECRETARY OF STATE

2 MARSHAM STREET LONDON SW1P 3EB
TELEPHONE 071-276 3000

J S Wall Esq
Private Secretary
10 Downing Street
LONDON
SW1A 0AA

My Ref: R/PSO/6247/91

Your Ref:

15 MAY 1991

Dear Stephen,

Thank you for your letter of 7 May about proposals for a visit by the Prime Minister to the Channel Tunnel.

The trip through the service tunnel by construction train takes some three and a half hours. The railway is not continuous and it is necessary to change trains half way. Eurotunnel might well offer some refreshment at that point which would add perhaps half an hour to the journey. To this should be added another half hour for changing clothes and a shower to make a total of at least four and a half hours. Any stops to point out features of construction would add to this.

The trains are noisy so that whilst conversation during the trip is possible it tends to be limited and of course there are no lavatories or other facilities.

If the Prime Minister is particularly keen to see the Tunnel he might be impressed by the scale of the enterprise and by the size of the undersea crossover chambers. There is also a good deal of interest to be had from the constructional process. But if he has no such personal interest there is certainly no overriding policy reason for him to preempt so much of his time.

Yours

Judith Ritchie

JUDITH RITCHIE
Private Secretary

070

n.5.P.M
BHP 13/5

copy

SECRETARY OF STATE FOR THE ENVIRONMENT

POLICY IN CONFIDENCE

2 MARSHAM STREET
LONDON SW1P 3EB
071-276 3000

My ref

Your ref

The Rt Hon Malcolm Rifkind MP
Department of Transport
2 Marsham Street
LONDON
SW1

13 May 1991

Dear Secretary of State

CHANNEL TUNNEL INTERNATIONAL RAIL LINK

I was grateful for the presentation by British Rail of their proposals on the Rail Link a fortnight ago, which Roger Freeman attended. I understand that you have now received formal confirmation of their proposals.

I should like my officials to take a full part in considering the proposals, and I understand that suitable consultative arrangements are in hand. My particular concerns are that:

i) we should pay close attention to the impact which the rail link will have on the northern regions, and the opportunity it provides to spread the benefits of the Channel Tunnel right across the country;

ii) we should examine closely what scope the Link may provide to correct the balance of development around London, which at present is heavily overweighted towards the west, leaving substantial areas run-down and in urgent need of regeneration to the east;

iii) the environmental and social implications of the various alternatives should be carefully looked at so that we can put ourselves in a position with confidence to endorse one or other of the options.

I am copying this letter to the Prime Minister and Norman Lamont only.

C E Bush

pp MICHAEL HESELTINE

(approved by the Secretary of State and signed in his absence)

cycled paper

CONFIDENTIAL

COM ON TRANSPORT:
BR Finances A 11

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

10 May 1991

Dear Simon,

Your Secretary of State and the Chancellor of the Exchequer called on the Prime Minister today to discuss Mr Rifkind's minute of 29 April about privatisation of British Rail (BR), and a possibly way forward on the Channel Tunnel rail link. Mr Hill (Policy Unit) and Peter Owen (Cabinet Office) were also present.

I should be grateful if you and copy recipients would ensure that this letter is seen only by those with a clear need to know.

On BR privatisation your Secretary of State said that the main options were set out in paragraph 4 of his minute. He was personally not attracted to the unitary option. It might, however, be the only way of disposing of the whole of BR within a single Parliament. Although it might be possible to dispose of Intercity and Freight relatively early, the other businesses were unprofitable. Network South East would be the most problematical. Although in theory the "track company" option offered the best prospect of increased competition, it was an untried concept, and was probably only relevant for Intercity. It would certainly not be suitable for Network South East where the full capacity of the track was already being exploited. The provincial networks were unprofitable (revenues covered only a third of their costs) and separate track companies would not be viable. Recent consultancy studies had suggested that the setting up of independent track companies would add two years to the four years which would in any event be required for full privatisation of BR. There were also technical difficulties, for example in securing decisions on issues such as electrification which involved investment both by track owners and by vehicle owners. The right approach for regional passenger services was through franchising arrangements designed to minimise subsidy. He nevertheless proposed to invite BR to consider all four options with a view to offering advice not on which should be preferred, but on how each option might best be put into practice.

In discussion the following were the main points made.

a. The main objective of privatisation was to procure real benefits in efficiency and service to the public through changes in procedures that encouraged competition in the provision of services. It might be preferable to privatise only part of BR if that could be achieved in a manner consistent with those aims rather than simply to transfer the whole monopoly to the private sector in a way that left present practices

unchanged. Even such a block transfer might have advantages, however, since it would enable investment decisions to be based on private sector criteria and would change the culture of the organisation and its work force.

b. It could be argued that the option of unitary privatisation was so unattractive that it should be ruled out from the start. There was a risk that such a decision would be represented as based solely on ideology; on the other hand a decision in favour of unitary privatisation which secured no changes other than a transfer of ownership from the public to the private sector was more readily open to that charge. On a more practical level, however, it might be difficult to refuse even to consider a unitary approach since the real practical experience in this area rested with BR who were known to favour unitary privatisation.

c. It would be necessary to have full information on the separate costs of track operations whether or not independent track companies were to be set up in order to make a proper appraisal of the options.

The Prime Minister, summing up this part of the discussion, said that it appeared that the Chancellor of the Exchequer was inclined to favour privatisation on the basis of track companies while your Secretary of State was more disposed towards privatisation based on businesses. It was nevertheless agreed that BR should be consulted about all four options listed in paragraph 4 of your Secretary of State's minute, but should be given a very firm indication that unitary privatisation was unlikely to be acceptable to the Government unless there were overwhelming arguments in its favour. In the light of BR's advice, your Secretary of State would bring forward options in time for a clear action plan for privatisation to be settled before the Summer. The objective would ideally be to sell the whole of BR during the next Parliament, though it was recognised that this might be difficult. The option of disposing of some parts of BR through trade sales should not be ruled out. The discussions with BR should be on a confidential basis since this would limit the scope for BR to campaign for a particular option. He hoped that it would be possible to settle on a basis for privatisation which was both pro-competitive and attractive to passengers.

On the Channel Tunnel rail link your Secretary of State said that there were strong pressures on the Government to reach an early decision. There was a legal obligation to Eurotunnel to ensure that the rail infrastructure was available to meet the full demand for Channel Tunnel traffic. There was also an undertaking to Parliament that Network South East users should not be disadvantaged as a result of the increase in traffic so arising. It was clear that the existing track capacity would not be sufficient to enable both these demands to be met much beyond the turn of the century. Additional capacity was therefore required and preparations would need to start soon since the statutory and other processes were lengthy. BR studies had shown

that the line would provide a rate of return of only 3-4 per cent if non-commercial benefits were left out of account. However, there would be significant external gains, in particular in improving movement across London.

In discussion the following points were made.

a. Consideration should be given to how the contractual obligation to Eurotunnel would be affected by a decision to privatise BR.

b. The costs of the project were huge and there might be some doubt about BR's competence to manage it. It might be preferable to defer the works until after privatisation when they could be treated as a wholly private project.

c. BR's previous proposal had been rejected on financial grounds. There was no question but that the additional capacity was required. It was embarrassing that trains would travel at 150 miles per hour from Paris to Dover and then at 60 miles per hour from Dover to London.

d. It would not be realistic to announce a decision that the link should be constructed but to leave all four routes open for consideration. That would blight huge areas of Kent.

e. Although the rate of return on the link was low, it was not evident that a work of infrastructure of this kind which would have a very long payback period could not be financed mainly from private sector sources if there were some input of Government funds. Although the sale of BR overall might not be profitable, early components could produce receipts which might be used for this purpose.

The Prime Minister, summing up this part of the discussion, said that the present recommendation from BR was for a single route. It would be undesirable to bring other options into play, and so widen the area of blight, before a firm decision could be taken. There were good arguments for seeking to settle at an early stage on a single route. There was also a case for announcing that the Government would go ahead with a joint venture to construct the link, led by the private sector but with a Government contribution funded by receipts from BR privatisation. Your Secretary of State should consider the options, in consultation with the Chancellor of the Exchequer and the Secretary of State for the Environment, and seek to put forward firm recommendations within two to three weeks. BR should not formally publish their own proposals until the Government had had an opportunity to reach conclusions.

There was no time to discuss the BR action plan, but your Secretary of State left a copy with the Prime Minister.

I am sending copies of this letter to Jeremy Heywood (H.M. Treasury), the others present, and to Sonia Phippard (Cabinet Office).

Yours,

Barry

BARRY H. POTTER

Simon Whiteley, Esq.,
Department of Transport.

KW

c/foreign/ritchie

bc FCO

Ewen

Fergusson

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

7 May 1991

CHANNEL TUNNEL

I enclose the latest exchange of correspondence between the Prime Minister and Sir Alastair Morton about the Channel Tunnel.

Whether the idea in Sir Alastair's latest letter will work will depend on French plans for the June Summit. Sir Ewan Fergusson is pursuing this with the French.

As regards modalities, could you let me know how long it will take to return to England by construction train. The Prime Minister will be under time constraints and there may be other objections anyway, but it would be useful to have your comments before I put the idea to the Prime Minister.

J S WALL

Miss Judith Ritchie
Department of Transport

EM

Sir Alastair Morton
Chief Executive
Eurotunnel

The Channel Tunnel Group Limited
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111 Buckingham Palace Road
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3 May 1991

The Rt. Hon. John Major, MP,
The Prime Minister,
10 Downing Street,
London SW1A 2AA.

Dear Prime Minister

Thank you very much for your letter of 2 May, with which I entirely concur. If you agree, I propose to keep in touch with Stephen Wall in your office on the evolution of this idea.

Let me here and now suggest to you that it would be an excellent idea if President Mitterrand were to escort you in late June from Lille to the Tunnel shaft at Sangatte, outside Calais, and we (perhaps plus Ambassadors and Foreign Secretaries) were to bring you home to England by construction train through the Tunnel. Does the symbolism appeal to you?

Kindest regards.

Yours sincerely

Alastair Morton

Eurotunnel is an association constituting a partnership and a société en participation between The Channel Tunnel Group Limited, Registered Office as above, registered in England No. 1811435 and France-Manche société anonyme, au capital de 1.650.000F, siège social à l'adresse ci-dessus, RCS Nanterre B 333 286714, a company incorporated in France with limited liability whose address for service in Great Britain is given above.

TRANSPORT: Channel Tunnel 1/8

AF?

EAM

cc FCO
DTI

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

2 May 1991

Dear Ewen,

I enclose an exchange of correspondence between the Prime Minister and Alastair Morton about Eurotunnel's proposed event on 29 July.

As we discussed, it is most unlikely that the President and the Prime Minister would undertake a Channel Tunnel event in July if they did do something connected with the Tunnel in June. Perhaps you could very kindly let me know as soon as the French plans for the June Summit become clearer.

Yours,

Stephen

J S WALL

His Excellency Sir Ewen Fergusson, KCMG

EC

AM

CC FCO
DTI

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

2 May 1991

Dear Alastair,

Thank you for your letter of 22 April suggesting that President Mitterrand and I might visit the Channel Tunnel on 29 July.

I am due to meet President Mitterrand at the end of June and we are waiting to hear details of French plans. Ewen Fergusson tells me that the French may have in mind doing something connected with the Tunnel on that occasion. I have asked him to try to find out as soon as possible, and I hope you will not mind if I do not therefore give you a definite reply about 29 July for the time being.

If some event connected with the Tunnel is laid on in June, I doubt whether the President would contemplate doing something in July as well.

Yours sincerely,
John Major

Sir Alastair Morton

Sir Alastair Morton
Chief Executive
Eurotunnel

C24/4

The Channel Tunnel Group Limited
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22 April 1991

The Rt. Hon. John Major, MP,
Prime Minister,
10 Downing Street,
London SW1.

Dear Prime Minister

As one of the founder members of the Kent Training and Enterprise Council and its current Chairman, I was delighted by the tone and content of your remarks at your reception today. Your colleagues may or may not tell you that some of us, certainly I, have been saying again and again that the strongly determined take-off of the TEC idea is a success for the Government and every possible effort must be made to build on a success, rather than cut back on the grounds that it is going well and permit the Treasury to withdraw financial support and flexibility.

As I indicated, very briefly, I hope you will be able to confirm soon that you are able to visit the Channel Tunnel on 29 July as I suggested in my letter of 14 March.

My colleague, André Bénard, has put the same proposition in Paris. If the President's health argued against his presence, it is suggested that Monsieur Rocard should take his place. Both running tunnels are expected to break through by the end of June, but the proposal can handle some delay in that. In any case, the intention would be richly symbolic rather than a hard-hat visit to a current construction site. 29 July is when the Treaty of Canterbury was confirmed in Paris in 1987 after Ratification.

I do hope you will be able to accept.

Kindest regards.

Alastair Morton

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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref: R/PSO/3694/91

Your ref:

3/4

Stephen
Any comments on this?
(I'll arrange for the PM to sign)

-3 APR 1991

William
4/4

William Chapman Esq
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

Dear William,

Thank you for your letter of 16 March enclosing Sir Alastair Morton's invitation to the Prime Minister to visit the Tunnel. A draft reply is attached.

Sir Alastair's proposal that he might look in on the Prime Minister may owe something to a current case in which Eurotunnel fear that they may not receive the approval of the Anglo-French Intergovernmental Commission to one of their design proposals. They are making representations to Mr Freeman about the issue. But the point of final decision on the matter has not yet been reached and it would be only then, if at all, that it might warrant the attention of the Prime Minister. If you are content therefore, I suggest that Sir Alastair's offer be declined.

As to the invitation to visit the Tunnel, I understand that at their meeting last December President Mitterand suggested, and the Prime Minister agreed, that they might meet at the Tunnel in 1991. Subject to prior engagements, the Prime Minister will no doubt wish to accept the invitation and I have drafted accordingly.

We understand that Sir Alastair has yet to invite President Mitterrand. When he informs you that he has done so, I suggest that No.10 might liaise directly with the Elysee about the arrangements, as the Prime Minister himself suggested at his meeting with the President in December. We have consulted the Foreign Office, and they have confirmed that this would be the most effective way of taking things forward.

A copy of this letter goes to Simon Gass.

Yours
Judith Ritchie

MISS JUDITH RITCHIE
Private Secretary

DRAFT

Sir Alastair Morton
Chairman
The Channel Tunnel Group Ltd
Victoria Plaza
111 Buckingham Palace Road
LONDON
SW1W OST

The Prime Minister has asked me to thank you for your letter of 14 March inviting him to visit the Tunnel on 29 July.

The Prime Minister will be free on that day and would be pleased to take part in an Anglo-French ceremony to mark the completion of tunnelling and the fourth anniversary of the ratification of the Channel Tunnel Treaty.

I understand, however, that no invitation to such a ceremony has been sent to President Mitterrand's office. I would be grateful if you would contact me when an invitation has been sent to the Elysee.

The Prime Minister was pleased to see your comments about progress on the Tunnel. Mr Rifkind tells him that you and he meet from time to time to discuss progress and Mr Rifkind, of course, reports any significant points of interest to the Prime Minister. Whilst the Prime Minister appreciates your offer to update him therefore, he does not think that a meeting is necessary at this juncture.

MORTON
2813
M4

ECL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

Ack 16 March 1991

I enclose a copy of a letter which the Prime Minister has received from Sir Alastair Morton, Chief Executive of Eurotunnel.

I should be grateful if you would let me have a draft reply for the Prime Minister's signature, to reach this office by Thursday 28 March please.

I am copying this letter and enclosure to Simon Gass (Foreign and Commonwealth Office).

(WILLIAM E. CHAPMAN)

Peter McCarthy, Esq.,
Department of Transport.

AK

Sir Alastair Morton
Chief Executive
Eurotunnel

The Channel Tunnel Group Limited
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14th March 1991 RD 5/3

The Rt. Hon. John Major, MP,
Prime Minister,
10 Downing Street,
London.
SW1A 2AA

Dear Prime Minister,

If the initial pressure on your diary is lessening enough to permit it, I would appreciate a chance to call on you one afternoon for perhaps 40 minutes to tell you how the Channel Tunnel is getting on. 1990 ended very well from a tunnelling and financing point of view. It will require the best efforts of the contractors, the railway engineers, the owners (Eurotunnel), Whitehall and perhaps Ministers to deliver, on time, the fixed link envisaged by the Treaty with France, but it will not fail for lack of effort on our part.

29th July, 1991 will be the fourth anniversary of the signing ceremony at the Elysée Palace, completing the ratification of the Channel Tunnel Treaty. A very few weeks before, we expect the breakthrough in the third and final running tunnel, effectively completing the tunnelling task.

On behalf of Eurotunnel may I invite you to visit the Channel Tunnel sites on that day. It would be a very appropriate occasion for some Anglo-French Ceremony to mark the event, possibly even a joint journey through by construction train.

If you signify that you can do this we can work out the details with your office, the Foreign Office and the French counterparts. I hope you will accept.

I look forward to meeting you with my Kent TEC hat on at your reception on 22nd April.

Kindest regards and many congratulations on what has been achieved so far.

Yours sincerely
Alastair Morton

Eurotunnel is an association constituting a partnership and a société en participation between The Channel Tunnel Group Limited, Registered Office as above, registered in England No. 1811435 and France-Manche société anonyme, au capital de 1.650.000F, siège social à l'adresse ci-dessus, RCS Nanterre B 333 286714, a company incorporated in France with limited liability whose address for service in Great Britain is given above.

(2)

TRANSMANCHE-LINK

CHANNEL TUNNEL CONTRACTORS

U.K.

TRANSLINK JOINT VENTURE

Surrey House
Throwley Way
Sutton SM1 4WA
Telephone 081-770 2661
Telex 927388 TMLINK G
Facsimile 081-770 7818

Please reply to U.K. Office

Philippe Essig
Chairman

France

G.I.E. TRANSMANCHE CONSTRUCTION

70, rue Mollien - B.P.229
62104 CALAIS Cédex
Téléphone: 21 46 44 00
Téléfax: 21 96 59 13
Télex: 135 130 F

TML

6/12/90

PE/yfp

5 December 1990

The Rt Hon John Major MP
10 Downing Street
London
SW1A 2AA

Dear Prime Minister

I want to thank you for the kind message you sent to TML on Saturday, to mark the junction of the two service tunnel drives.

Your words of congratulation were greatly appreciated by the two teams and will be reproduced in our house magazine so that all TML personnel will be aware of them.

Saturday was an historic day for TML, for Britain, for France and for Europe as a whole. It is a great satisfaction to know that we enjoy your strong support and that of your Government.

Yours sincerely,

Philippe Essig

G.I.E. Transmanche Construction Groupement d'Intérêt Economique Régi par l'Ordonnance n° 67 821 du 23-09-1967
R.C.S. Versailles C 333 363 547 - n° Siret 333 363 547 00022 - Code APE 7701
Siège social : 3, rue Stéphenson - 78180 Montigny-le-Bretonneux
BOUYGUES S.A.,
1 Avenue Eugène de Freyssinet, 78280 Guyancourt, France.
DUMEZ S.A.,
345 Avenue Georges Clemenceau, 92022 Nanterre Cedex, France.
SOCIETE AUXILIAIRE D'ENTREPRISES S.A.,
32 Avenue de New York, 75784 Paris Cedex 16, France.
SOCIETE GENERALE D'ENTREPRISES S.A.,
Tour American International, Place les Corolles 92079 Paris la Défense Cedex 55, France.
SPIE BATIGNOLLES S.A.,
Parc St-Christophe, 95862 Cergy Pontoise Cedex, France.

Translink Joint Venture: Surrey House, Throwley Way, Sutton SM1 4WA
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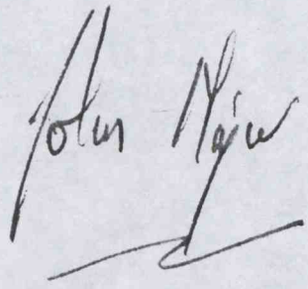
00

10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

I am delighted to send this message of congratulation to the Transmanche Link team on breaking through in the service tunnel. Breakthrough is a great event in the history of the UK and France. It will be remembered by future generations as a tribute to British and French cooperation and engineering skills.



November 1990

MG

C: Channel

apcw

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

30 November 1990

CHANNEL TUNNEL BREAKTHROUGH

Thank you for your letter of 30 November asking for a message from the Prime Minister which Mr Rifkind could read out when he meets the French Minister of Transport at the breakthrough point in the Channel Tunnel tomorrow. I am sure the Prime Minister would be happy to send a message and the text enclosed with your letter will serve well.

I am copying this letter to Richard Gozney (Foreign and Commonwealth Office).

Charles Powell

Simon Whiteley Esq
Department of Transport

010

cc PC

THE DEPARTMENT OF TRANSPORT

SECRETARY OF STATE FOR TRANSPORT

FROM THE SECRETARY OF STATE

2 MARSHAM STREET LONDON SW1P 3EB
TELEPHONE 071-276 3000

Charles Powell Esq
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

My Ref:

Your Ref:

30 NOV 1990

Dear Charles

CHANNEL TUNNEL BREAKTHROUGH

The service tunnel of the Channel Tunnel system will break through tomorrow at 11 am.

We were informed on Wednesday that M. Delebarre, the French Minister of Equipment, Housing, Transport and the Sea would be part of the French party due to come through the Tunnel from France. Arrangements have been made for my Secretary of State to meet him at the breakthrough point in the Tunnel and return with him to the UK side.

We have now been informed that M. Delebarre will deliver a message from President Mitterand to camera at breakthrough. We have not seen a text of the message but we understand that it will be short.

It would be appropriate for my Secretary of State to deliver a parallel message from the Prime Minister. We have therefore agreed a text with FCO officials. We think it would make sense for the message to be embodied in a press notice. I attach a draft of the complete document and would be grateful for your agreement today.

I am sending a copy of this letter to Richard Gozney.

Yours ever

Simon

S C WHITELEY
Private Secretary

CHANNEL TUNNEL BREAKTHROUGH: MALCOLM RIFKIND DELIVERS MESSAGE FROM BRITISH PRIME MINISTER

At the Channel Tunnel breakthrough today, 1 December, the Secretary of State for Transport, Malcolm Rifkind delivered the following message on behalf of the Prime Minister:

'Breakthrough is a momentous occasion both for relations between the United Kingdom and France and for Europe as a whole. It is also an outstanding engineering achievement in which both countries can take enormous pride.

This project is a tremendous tribute to the skills and ingenuity of private enterprise. I look forward to the passage of the first train which will forge the United Kingdom's new permanent link with continental Europe.'

AJ

c. Morton

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

26 November 1990

I have discussed with the Prime Minister your letter of 26 November, in which you ask whether she would like to come with you to France by construction train on 1 December. While very grateful for the kind thought, she thinks that in the circumstances she does not want to undertake public engagements in the first few days of the new Government.

I suggest that we now transfer our thoughts back to a ceremony of some sort in January.

Charles Powell

Alastair Morton, Esq.

R26/4

Alastair Morton
Chief Executive
Eurotunnel

The Channel Tunnel Group Limited
Victoria Plaza
111 Buckingham Palace Road
London SW1W 0ST
Telephone: 071 834 7575
Telex: 915539
Fax: 071 931 8465

France-Manche SA
Tour Franklin
100 Terrasse Boieldieu
92081 Paris, La Défense, Cedex 11
Téléphone: (1) 47 76 42 60
Télex: 612 452 F
Fax: (1) 47 74 54 29

November 26, 1990

The Rt. Hon Margaret Thatcher
10 Downing St, SW1.

Dear Prime Minister,

Everyone inside the Channel Tunnel Project knows and will remember the decisive role you have played in it. All who benefit by it, shareholder or citizen, will have come to remember that.

May I now enquire whether, as my guest, you will come with me to France by construction train this Saturday, December 1?

We shall have to be at Shakespeare Cliff before 9.30, to proceed to breakthrough around noon and then to exit at Calais soon after 1.30 p.m. GMT – then a helicopter back.

If you have the time and the inclination, I shall be delighted! I believe you would enjoy it and everyone there, and watching, will be pleased to see you.

With best wishes,

Alastair Morton

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R26/11

Memo

EURO TUNNEL

URGENT AND PRIVATE

FROM: Alastair Morton

26th November 1990

TO: Charles Powell/Andrew Turnbull
10 Downing Street

CHANNEL TUNNEL BREAKTHROUGH

I am sure there is a great deal happening but I attach a copy of a letter that is coming to Downing Street by hand this afternoon. Could you please make sure that the Prime Minister sees it.

The French Transport Minister, Monsieur Delebarre, may well be involved, perhaps down the Tunnel. If Cecil P. is still able to be involved I do not think he plans to go through beyond the meeting point. I have not consulted him but I do not believe for a second he would have any objection to the attached invitation.

Alastair Morton

TOTAL P.03

Alastair Morton
Chief Executive
Eurotunnel

The Channel Tunnel
Group Limited
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London SW1W 0ST
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If you have the time and the inclination, I shall be delighted! I believe you would enjoy it and everyone there, and watching, will be pleased to see you.

With best wishes,

Alastair Morton

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1990-11-26 15:26 EUROTUNNEL 071 931 8439 P.03

Foreign and Commonwealth Office

London SW1A 2AH

26 November 1990

CRB 27/K

Dear Charles,

Channel Tunnel Breakthrough Ceremony

Since it will now be too difficult for the Prime Minister to participate in a breakthrough ceremony on 1 December, as proposed by Alistair Morton in his letter of 15 November, you may wish to write to him. I enclose a draft.

We are instructing HMA Paris to tell the French that there will almost certainly be no Prime Ministerial involvement in the breakthrough ceremony on Saturday 1 December.

President Mitterrand will probably not take part in the ceremonies. We understand from the Department of Transport that M. Delebarre, the French Minister of Equipment, Housing, Transport and the Sea, is keen to transit the Tunnel from the French to the UK side on 1 December. The Department of Transport have told Eurotunnel that they cannot say at this stage whether M. Delebarre's opposite number would be available to participate in the breakthrough ceremony. However, they have undertaken to find someone of suitable seniority, possibly Mr John Henes, Chairman of the UK delegation to the Intergovernmental Commission.

Yours ever,

Richard Gozney

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street

Draft Letter from Private Secretary

To: Alastair Morton Esq
Chief Executive
Eurotunnel
Victoria Plaza
111 Buckingham Palace Road
London SW1W 0ST

In the circumstances I hope you will understand that it will almost certainly not be possible for the Prime Minister to participate in the breakthrough ceremony on 1 December. We understand from our Embassy in Paris that President Mitterrand will probably not be involved in the ceremony.

However, if M. Delebarre decides to transit the Tunnel from the French to the UK side, the Department of Transport have undertaken that someone of suitable seniority would represent the UK. You may wish to contact Simon Whiteley, Private Secretary to Mr Parkinson at the Department of Transport.

FILE MJ

cc DTp
FCO

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

18 November 1990

Thank you for your letters of 12 and 15 November.

Unfortunately we have still not been told by the Elysee of President Mitterrand's preferences for participation in a ceremony on 1 December. In the circumstances, I agree that you should go ahead as proposed in your letter.

Our Embassy in Paris continues to pursue this matter with the Elysee. If we hear from them that President Mitterrand would be willing to participate in the event on 1 December, the Foreign Office will work out the details with TML and yourselves, in time for the final arrangements to be made during the week of 26 November.

Thank you for your renewed offer of an event in January or February. We have considered this, but it remains an unattractive option in view of the fact that most interest will be focussed on the breakthrough on 1 December. This however is something we may need to reconsider in the light of French views.

(C. D. POWELL)

Alastair Morton, Esq.

Foreign and Commonwealth Office

London SW1A 2AH

16 November 1990

Dear Charles,

Channel Tunnel Breakthrough Ceremony

Thank you for your letters of 11 and 15 November.

Despite repeated efforts by our Embassy, we have not yet been given President Mitterand's preferences for a ceremony to mark the breakthrough in early December. In the circumstances we agree that we should go ahead on our own as proposed by Alastair Morton in his letter of 15 November.

If we hear from the Embassy that the President is willing to participate in a ceremony on 1 December with the Prime Minister, the FCO can work out the details with Eurotunnel and TML. A January or February event remains unattractive given that the publicity impact of the breakthrough will be on 1 December. But again, this is something we could re-examine when we have the French views on timing.

I enclose a draft leter along these lines for you to send to Alastair Morton.

I am copying this letter to Judith Ritchie (Department of Transport).

Yours ever,

Richard Gozney

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street

Draft Letter from Private Secretary

To: Alastair Morton
Eurotunnel

Thank you for your letters of 12 and 13 November.

Unfortunately we have still not been told by the Elysee of President Mitterrand's preferences for participation in a ceremony on 1 December. In the circumstances, I ~~therefore~~ agree that you should go ahead as proposed in your letter.

Our Embassy in Paris continues to pursue this matter with the Elysee. If we hear from them that President Mitterrand would be willing to participate in the event on 1 December, the Foreign Office will work out the details with TML and yourselves, in time for the final arrangements to be made during the week of 26 November.

Thank you for your renewed offer of an event in January or February. We have considered this, but it remains an unattractive option in view of the fact that most interest will be focussed on the breakthrough on 1 December. This however is something we may need to reconsider in the light of French views.

TRANSPORT : Chemin Tamil P18

FILE KK

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

15 November 1990

CHANNEL TUNNEL

I enclose yet another memorandum from the desk of Alastair Morton about the arrangements for the Channel Tunnel ceremony. Can we please make renewed efforts to discover French intentions, otherwise we shall simply have to go ahead on our own as Mr. Morton suggests.

I am copying this letter to Judith Ritchie (Department of Transport).

(C. D. POWELL)

Richard Gozney, Esq.,
Foreign and Commonwealth Office.

cc Stephen Wall (FCO)
16/11

Memo

EURO TUNNEL

FROM: R. A. Morton
(Dictated by Mr. Morton
and signed in his absence)

DATE: 15th November 1990

TO: Charles Powell, Esq.

CC: Cecil Parkinson, Esq., MP
Eurotunnel Paris

RE: Breakthrough

As of noon today we have not been able to reach a conclusion about the nature of celebration, reception, etc. that can be organised in the remaining time. The Elysée has not yet advised the President's intentions.

Accordingly, I have consulted TML and its shareholders and now propose the following to you as the best course.

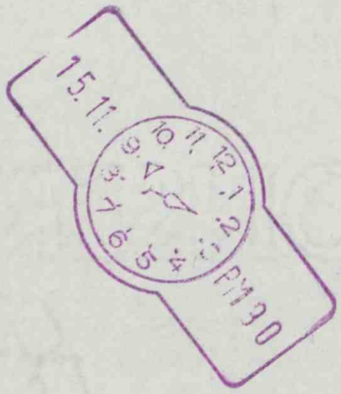
Neither President nor Prime Minister should attend a celebration/reception on either side - that is involving invited guests, VIPs, speeches, catering, etc. Eurotunnel and TML will proceed together from the two coasts to the breakthrough point around midday GMT on December 1, the breakthrough will be televised live (subject to confirmation) and the British group will emerge on the French side and the French on the British side at approximately 3 p.m. GMT. Their emergence on the opposite coast would be filmed/televised.

If between now and December 1 the President or the Prime Minister or both wish to visit the occasion, they are cheerfully invited to arrive (by helicopter?) at the French or British terminal respectively to shake hands with the emerging groups from the other side and generally congratulate the workforce who are likely to be assembled outside the tunnel mouth (in the rain?). There is no need from Eurotunnel or TML's point of view for such a visit to be decided now. The value and timing of the photo-opportunity can be assessed in the week beginning November 26.

In effect, I have had to take a decision on this. I hope the Prime Minister will take part either by television hook-up on December 1 or by alfresco and almost impromptu participation at the terminal on the day.

The possibility of a January event around the anniversary of Lille, or a February event around the anniversary of Canterbury, remains open. An inscribed pair of final linings is perhaps as good an idea as knocking down the last piece of something.

Please confirm that this is OK with you.


15.11.
PM 3 0

8

CR

With the compliments of Alastair Morton 12/11/90

Copy sent by fax yesterday, 11/11/90

The Channel Tunnel Group Limited
Victoria Plaza
111 Buckingham Palace Road
London SW1W 0ST
Telephone: 01-834 7575
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Fax: 01-821 5242

France Manche SA
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100 Terrasse Boieldieu
92081 Paris, La Défense, Cedex 11
Téléphone: (1) 47 76 42 60
Telex: 612 452 F
Fax: (1) 47 74 54 29

Memo

EURO TUNNEL

FROM: Alastair Morton

12th November 1990

TO: Charles Powell, Esq.

CC: Cecil Parkinson, Esq, MP
Eurotunnel Paris

EUROTUNNEL BREAKTHROUGH

Further to my memorandum and note of 6th November and our subsequent telephone conversation a delegation from the Elysée visited the Calais site on Friday, 9th November. At the end of that visit we seemed to have the following position, recorded for your information and comment but not yet confirmed all round.

1. The President wishes to be on the surface at the French terminal/tunnel entrance at Cocquelles near Calais. He has not yet confirmed December 1. The PM is asked to insist on it.

2. The Prime Minister is willing to join him there and he is delighted by that.

3. ET, assisted by TML, is organising marquee receptions at Folkestone and Coquelles. There will be something like 1200-1300 guests at the Folkestone celebration.

4. A cable has been ordered and will be laid from the French site to the Junction point nearly 12 miles from the French terminal, about 19 miles from the Folkestone terminal. It is planned to televise the "people breakthrough" live to the parties at each terminal as well as worldwide.

5. From breakthrough location to the French terminal by construction train will take about 45 minutes less than to the Folkestone terminal. It will be possible therefore, for the Prime Minister to join the President in greeting the British party arriving at Coquelles from the breakthrough, and then return to Folkestone in time to greet the French party arriving from the breakthrough.

   That is the format I recommend, obviously subject to weather.

6. It ought to be possible for the Prime Minister to leave Folkestone (by helicopter ?) about 75 minutes after she arrives from Calais.

/...

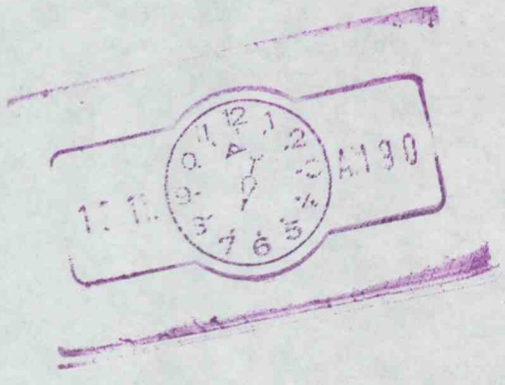
None of the above is definite and there is likely to be a push from the Elysée to have a celebration in Calais only. The Prime Minister should resist that in favour of receptions on both sites. The President may not wish to come over with her and so the last move would be to airlift the French breakthrough team back from Folkestone to Calais.

7. TML's party for the workforce begins at Dover Castle in the second half of the afternoon of December 1.

8. To sum up the above, the Prime Minister could watch breakthrough on TV at a convenient location, helicopter to Calais for (5) above, back to Folkestone (5) and then away. Total time from arrival at Calais to departure from Folkestone 2½-3 hours?

9. What are your preferences?

Alastair Morin



Memo

EURO TUNNEL

FROM: R. A. Morton

DATE: 12th November 1990

TO: Charles Powell, Esq.

CC: Cecil Parkinson, Esq., MP
Eurotunnel Paris

RE: Breakthrough

I hear concern in Paris that the Elysée may have ideas about a date other than Saturday, December 1st. If direct negotiations are now in hand betweed Downing Street and the Elysée, and I hope they are, could you please insist on the 1st because any other day, especially a weekday, would both clash with existing plans for workers' celebrations by TML and prove costly.

The Elysée is likely to adopt a managerial tone about the Calais celebration, wishing to dictate whether, who and what, but I am presuming that we shall be organising the Folkestone celebration, subject to detailed discussion with yourselves as soon as date, etc., is known.

I look forward to hearing from you.

060532
MDHOAN 1221

David

RESTRICTED
FM FCO
TO DESKBY 121300Z PARIS
TELNO 747
OF 121200Z NOVEMBER 90

YOUR TELNO 1352 AND HUGHES/CRABBIE TELECON: CHANNEL TUNNEL BREAKTHROUGH CEREMONY

1. ALASTAIR MORTON HAS WRITTEN TO PS/NO.10 (COPY BY FAX TO CRABBIE). PLEASE CHECK URGENTLY WITH THE ELYSEE THAT MORTON'S UNDERSTANDING OF THEIR POSITION IS CORRECT.

2. NOT SURPRISINGLY, MORTON IS CONCERNED THAT THERE SHOULD BE A CEREMONY AT FOLKESTONE IN ADDITION TO ONE IN FRANCE. FOR OUR PART, WE ENVISAGE THE PRIME MINISTER WATCHING THE BREAKTHROUGH WITH THE PRESIDENT AT COCQUELLES, GREETING THE BREAKTHROUGH PARTY, AND THEN FLYING/HELICOPTERING TO FOLKESTONE FOR THE EUROTUNNEL PARTY THERE.

HURD

YYYY

DISTRIBUTION 68

MAIN 60

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MR JAY

ADDITIONAL 8

PS/NO 10 D/ST
MR BEAN NO 10 D/ST
MR HENES DTP
MR BURGESS DTP
MR STEWARD NEWS DEPT, DTP

NNNN

CONFIDENTIAL

FCO
EMM

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

11 November 1990

CHANNEL TUNNEL

I enclose a copy of a further missive from Alastair Morton. It would be helpful if our Embassy in Paris could check urgently that the Elysée have the same understanding. My only comment is that I envisage the Prime Minister watching the breakthrough with the President at Coquelles, greeting the breakthrough party and then flying/helicoptering to Folkstone for the ET party.

I am copying this letter and enclosure to Simon Whiteley (Department of Transport).

CHARLES POWELL

R H T Gozney Esq
Foreign and Commonwealth Office

CONFIDENTIAL

044457
MDHIAN 8199

RESTRICTED
FM PARIS
TO IMMEDIATE FCO
TELNO 1345
OF 071909Z NOVEMBER 90

YOUR TELNO 734: CHANNEL TUNNEL BREAKTHROUGH CEREMONY

1. WE SPOKE TO OURY (ELYSEE), WHO IS COORDINATING ADVICE TO MITTERRAND. WE UNDERLINED THE PRIME MINISTERS PREFERENCE FOR A SURFACE EVENT ON 1 DECEMBER, AND UNDERLINED THE IMPORTANCE OF EARLY AGREEMENT IF SUITABLE TELEVISION COVERAGE WAS TO BE ARRANGED.

2. OURY SAID THAT HE WOULD CONVEY OUR IDEAS IMMEDIATELY TO THE PRESIDENT'S OFFICE, ALTHOUGH HE COULD NOT (NOT) GUARANTEE THAT HE WOULD HAVE A REPLY BY TOMORROW. HE COMMENTED THAT IN PRINCIPLE THE ELYSEE ALSO FAVOURED A FACE TO FACE MEETING ON ONE SIDE OF THE CHANNEL, AND THAT WE SHOULD IF POSSIBLE AIM FOR LIVE TV COVERAGE.

COMMENT
3. DETAILED OPTIONS HAVE NOT YET BEEN PUT TO MITTERRAND. THE PRIME MINISTER'S PREFERENCE WILL CLEARLY ACCELERATE THINGS AT THE ELYSEE, PARTICULARLY SINCE THE DECEMBER OPTION HAS ALWAYS BEEN FAVOURED BY OFFICIALS. I SHALL DO MY BEST TO EXTRACT AN EARLY REPLY BUT IF THE URGENCY IS ONLY TO MEET EUROTUNNEL'S CONVENIENCE (YOUR PARAGRAPH 4) THAT WILL NOT CUT MUCH ICE, GIVEN THE IRRITATION ALREADY VISIBLE AT THE ELYSEE OVER EUROTUNNEL/TML'S BEHAVIOUR.

FERGUSSON

YYYY

DISTRIBUTION 73

MAIN 65

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PROTOCOL D
ECD(I)
PS/MR LENNOX-BOYD
PS/MR GARREL-JONES
MR BAYNE
MR WESTON
MR SLATER
MR GREENSTOCK

044457
MDHIAN 3199

ECD(E) MR JAY
PS

ADDITIONAL 8

PS/NO.10. MR BURGESS, DTP
MR BEAN, NO.10 PRESS OFFICE MR STEWART, NEWS DEPT, DTP
MR HENES, DTP

NNNN

CONFIDENTIAL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

7 November 1990

CHANNEL TUNNEL CEREMONY

I have consulted the Prime Minister overnight about the various alternative proposals for a ceremony to mark the Channel Tunnel break-through. She is inclined to agree that the original proposal for a meeting between her and President Mitterrand underground in January is not as attractive as we once thought, and that it is probably better to go for an event on 1 December associated with the actual break-through. She would be in principle ready to go across the Channel and meet President Mitterrand on the French side, where they might together watch a live film of the break-through and then greet a group of British people coming through the tunnel from the British side. The Prime Minister could then cross by helicopter to Folkestone and attend a reception there.

I suggest that you should ask our Ambassador in Paris to put these suggestions to the Elysée today, not so much as firm proposals but as an idea of what the Prime Minister would be prepared to do if convenient to President Mitterrand, and test their reaction. In the light of that we can give Alastair Morton a clear steer.

I am copying this letter to Simon Whiteley (Department of Transport).

(CHARLES POWELL)

Richard Gozney, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

R9/11

With the compliments of Alastair Morton

7th November 1990

Copy sent yesterday by fax.

Spoken to Ph. Rabbe

CVDD 2/11

The Channel Tunnel Group Limited
Victoria Plaza
111 Buckingham Palace Road
London SW1W 0ST
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Alastair Morton
Chief Executive
Eurotunnel

The Channel Tunnel Group Limited
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London SW1W 0ST
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6th November 1990

Charles Powell, Esq.,
Private Secretary,
Prime Minister's Office,
10 Downing Street,
London.
SW1A 2AA

Dear Mr Powell

Simon Whiteley in Cecil Parkinson's office has alerted you to the need for the attached decision now. As of yesterday afternoon there were conflicting signals from the Elysée about the President's preferences.

If the 1st December option is not selected NOW, we cannot be live on TV, but then see Option C attached.

Yours sincerely

Alastair Morton

cc: The Rt. Hon. Cecil Parkinson, MP.

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Memo

EURO TUNNEL

FROM: Alastair Morton

6th November 1990

TO: 10 Downing Street

CC: The Rt. Hon. Cecil Parkinson, MP

RE: BREAKTHROUGH

My letter of 25th October to Andrew Turnbull described the third ceremony in a series of three - "probe-through" (happened 30th October), "tunnellers' contact" - an "internal"(?) celebration on 1st December involving only Eurotunnel (ET) and TML people - and "full breakthrough" in second half January.

That trilogy is based on Prime Minister meets President under the sea, not seen to be possible in a two metre by one metre hand tunnel on 1st December, hence part three in January to mark completion of the five metre diameter service tunnel.

It has now been suggested that:

(1) neither President nor Prime Minister wishes to make the long journey through the Tunnel; and

(2) they would prefer to be at coastal celebrations, linked live by TV to each other and, perhaps to the first people to walk through the hand tunnel connection, i.e. involved on 1st December.

Alternatives:

A: 19th or 26th January stands as in my letter of 25th October.

B: On Saturday, 1st December at 1200 GMT, PM watches first walkthrough live on TV from Downing Street or Leeds Castle or ... She then travels (helicopter?) to Folkestone terminal (outside town) by about 1430 GMT to greet either 5 British tunnel people (ET/TML) returning or, preferably, 5 French arriving via tunnel from breakthrough. In overalls, they escort PM to join 1,200-1,500 guests in nearby tent. Speeches from PM/President linked by satellite. PM leaves Folkestone about 1630-1700 GMT.

C: Same as B but no live coverage of underground events. Video couriered out French side half hour ahead of tunnel team and showing it on world-wide TV is start of Folkestone (and Calais) greeting ceremony as above, which therefore would be at 1200-1230 GMT, and PM would leave Folkestone reception about 1430-1500 GMT.

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Notes:

1. Kent coast to breakthrough by tunnel train about 1½ hours, longer for Folkestone.

2. French journey shorter as breakthrough is two-thirds of the way across.

3. Contractors (TML) are concerned about certainty of achievement of option B.

Timing of Decision:

If option B is desired, it must be confirmed within 48 hours between Downing Street and Elysée to permit cable into tunnel, etc.

If option C is chosen, please decide this week to permit all arrangements.

If option A is preferred, there is time - but not very much.

Decision Required:

PM and President must agree now:

(1) Do they want to meet in undersea tunnel?

(2) If not, do they agree to be involved in 1st December, per B or C above?

cc Press (Bean)

PRIME MINISTER

CHANNEL TUNNEL

Some intensive discussions have been going on about how you and President Mitterrand might be associated with the break-through in the Channel Tunnel.

The original idea was that you and President Mitterrand might meet in the Tunnel in late January. But this has become steadily less attractive. First, the actual break-through is likely to be on or about 1 December and that is what will make the news. You and President Mitterrand trundling through for a meeting in the middle in late January won't have any particular point. Secondly, it turns out that such a venture would require you to be underground for three hours, and President Mitterrand for over two hours, in temperatures of over 80 degrees and with considerable concerns about security. President Mitterrand's doctor has done a recce and does not like the idea at all from his point of view. It is not clear whether Mitterrand himself has yet been consulted, but the weight of advice in the Elysée is against it.

An alternative has emerged in recent days which would involve a ceremony on Saturday 1 December, much closer to the date of the actual break-through. You and President Mitterrand would watch the journeys through the Tunnel live on television. You could do this separately in London and Paris. You could then travel to Folkestone and Sangatte respectively to greet a group of French people (in your case), a group of British people (in his case), arriving through the Tunnel, and then attend separate celebrations.

Another alternative would be for you to join President Mitterrand in France to greet a group of British people coming through the Tunnel; or he could join you in Folkestone to meet French people arriving.

Do you have any strong views about these options? President

Mitterrand is being consulted, but will on past form take longer than you to make up his mind. I must say that an underground meeting between the two of you so far from the actual date of the break through does not seem to offer very great attractions. A ceremony on 1 December associated with the actual break-through and the arrival of the very first people to come from one side of the Channel to the other through the Tunnel would get good publicity.

Agree to incline towards this second option?

Prefer either:

(a) Separate ceremonies in Folkestone and Sangatte?

(b) A joint ceremony in Sangatte?

(c) A joint ceremony in Folkestone?

We do not need a final decision at this stage just a steer.

Sarah Box
pp Charles Powell
6 November 1990

c: Tunnel (MJ)

Alternatively may Roland do the break through but I don't relish 2 hours at 30° F either!

I would be easier for President Mitterrand if I went to {Paris / France} to join him to greet British people coming through and to send off to London some French people

037540
MDHIAN 7916

Mr Powell

In case not already seen.

PCW

UNCLASSIFIED
FM PARIS
TO IMMEDIATE FCO
TELNO 1337
OF 061232Z NOVEMBER 90

YOUR TELNO 710: CHANNEL TUNNEL BREAKTHROUGH CEREMONY

1. FOLLOWING TELECON HUGHES/MILTON WE SPOKE TO OURY (ELYSEE) ABOUT TML'S CLAIM THAT THE FRENCH HAD REACHED A DECISION ON THE BREAKTHROUGH CEREMONY. OURY STRONGLY DENIED THIS. THE OPTIONS OF A DECEMBER OR JANUARY CEREMONY WERE STILL OPEN. HE PERSONALLY DOUBTED WHETHER A CEREMONY UNDERGROUND WAS PRACTICAL, AND KNEW THAT THIS VIEW WAS SHARED BY OTHERS IN THE ELYSEE. HE ADDED THAT IF AN UNDERGROUND CEREMONY WAS INDEED RULED OUT, IT MADE SENSE TO OPT FOR DECEMBER IN ORDER TO COINCIDE WITH THE ACTUAL BREAKTHROUGH. HE EXPECTED IT WOULD TAKE A WEEK BEFORE A CLEAR DECISION WAS REACHED.

2. OURY EXPRESSED CONSIDERABLE ANNOYANCE AT EUROTUNNEL'S AND TML'S BEHAVIOUR. THEY HAD BEEN USING THE PRESS TO ENCOURAGE THE BELIEF THAT THERE WOULD INDEED BE AN UNDERGROUND MEETING BETWEEN THE PRIME MINISTER AND THE PRESIDENT, AND THEY WERE CLEARLY ATTEMPTING TO QUOTE MANIPULATE UNQUOTE THE TWO GOVERNMENTS.

3. WE LATER SPOKE TO MARUANI (QUAI), WHO TOOK THE SAME LINE AS OURY. HE ADDED THAT MME LAUVERGEON, ONE OF OURY'S COLLEAGUES IN THE ELYSEE, WAS INSPECTING THE TUNNEL SITE TODAY, AND THAT HE MIGHT THEREFORE HAVE MORE NEWS TOMORROW. WE SHALL FOLLOW THIS UP. AS AGREED, WE ASKED IF HE WOULD, LIKE US, CONTINUE PUTTING PRESSURE ON THE TWO COMPANIES INVOLVED TO PRODUCE THEIR JOINT PROPOSAL QUICKLY. HE AGREED TO DO SO.

FERGUSSON

YYYY

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MR SLATER

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

6 November 1990

CHANNEL TUNNEL

I returned from Geneva to find the enclosed somewhat peremptory missive from Alastair Morton, saying he must know within forty-eight hours whether the Prime Minister and President Mitterrand accept the alternative proposal of simultaneous ceremonies on either side of the Channel on 1 December. I understand there was a meeting with the French yesterday. I look forward to hearing the outcome of this, together with advice on how best to handle Alastair Morton's latest letter.

I am copying this letter to Simon Whiteley in the Department of Transport.

CHARLES POWELL

Richard Gozney Esq
Foreign and Commonwealth Office

Memo

FROM: Alastair Morton A 6th November 1990

TO: 10 Downing Street

CC: The Rt. Hon. Cecil Parkinson, MP

RE: BREAKTHROUGH

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Decision Required:

PM and President must agree now:

(1) Do they want to meet in undersea tunnel?

(2) If not, do they agree to be involved in 1st December, per B or C above?

Alastair Morton
Chief Executive
Eurotunnel

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6th November 1990

Charles Powell, Esq.,
Private Secretary,
Prime Minister's Office,
10 Downing Street,
London.
SW1A 2AA

Dear Mr Powell

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If the 1st December option is not selected NOW, we cannot be live on TV, but then see Option C attached.

Yours sincerely

Alastair Morton

cc: The Rt. Hon. Cecil Parkinson, MP.

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CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

30 October 1990

Dear Charles,

Channel Tunnel

Thank you for your letter of 22 October.

With French officials we met representatives of Eurotunnel and Trans Manche Link on 25 October and raised the points in your letter. A report of the meeting is in our telegram to Paris (enclosed). The companies did not seem particularly keen on revising their plans, despite the obvious advantages of a joint ceremony in early December, but they are examining an alternative involving a video link-up at the time of breakthrough in early December.

Alastair Morton may well come back to you soon.

I am copying this letter to Simon Whiteley in the Department of Transport.

Yours ever,

R. Charles Gozney

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street

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001437
MDHOAN 0061

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Q DIST ?

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TO IMMEDIATE PARIS
TELNO 710
OF 251900Z OCTOBER 90

YOUR TELNO 1270: CHANNEL TUNNEL BREAKTHROUGH CEREMONY

1. SLATER CHAIRED A MEETING TODAY WITH REPRESENTATIVES FROM DTP, NO 10 PRESS OFFICE, EUROTUNNEL (ET), TML AND MAROUANI (QUAI D'ORSAY) TO DISCUSS THE PROPOSALS FOR CELEBRATING BREAKTHROUGH IN THE SERVICE TUNNEL.
2. TWO POSSIBLE OPTIONS WERE DISCUSSED FOR A CEREMONY INVOLVING THE PRIME MINISTER AND PRESIDENT MITTERRAND:-
(A) EARLY DECEMBER WHEN THE ACTUAL BREAKTHROUGH WILL BE MADE. IT WOULD NOT BE PRACTICABLE FOR THE PRIME MINISTER AND PRESIDENT TO BE PRESENT IN THE TUNNEL BUT THEY COULD ATTEND A CEREMONY IN EITHER FRANCE OR THE UK AT WHICH A VIDEO (IDEALLY LIVE) OF THE BREAKTHROUGH WOULD BE SHOWN.
(B) END OF JANUARY WHEN THE SERVICE TUNNEL WILL BE COMPLETED. THE PRIME MINISTER AND PRESIDENT MITTERRAND WOULD MEET IN THE TUNNEL AND HELP EITHER TO KNOCK DOWN THE LAST PIECE OF ROCK OR TO PUT THE FINAL SECTION OF LINING IN PLACE. AFTER SHORT SPEECHES EUROTUNNEL ENVISAGE THAT THEY WOULD RETURN TO THEIR OWN ENDS OF THE TUNNEL AND ATTEND SEPARATE CEREMONIES ON THE FRENCH AND BRITISH SIDES.
3. WE TEND TO FAVOUR OPTION (A). THE ACTUAL BREAKTHROUGH IN EARLY DECEMBER IS CLEARLY AN HISTORIC EVENT WHICH IS LIKELY TO ATTRACT THE MOST MEDIA INTEREST. THAT ASIDE, THERE ARE A COMBINATION OF FACTORS AGAINST OPTION (B). IT IS LIKELY TO BE HOT IN THE TUNNEL (AROUND 25 DEGREES CENTIGRADE) WITH 80 PERCENT HUMIDITY AND THE RETURN JOURNEY IS LIKELY TO TAKE AROUND THREE HOURS FOR THE PRIME MINISTER, AND TWO HOURS FOR PRESIDENT MITTERRAND. A TRIP DOWN THE TUNNEL WOULD ALSO PRESENT SECURITY PROBLEMS.
4. TML AND ET, WHO HAD BEEN PLANNING ON OPTION (B), RAISED A NUMBER OF OBJECTIONS TO OPTION (A). THEY QUESTIONED WHETHER IT WOULD BE POSSIBLE TO COVER THE BREAKTHROUGH LIVE ON VIDEO. THERE IS ALSO LITTLE TIME FOR THE OTHER ARRANGEMENTS NECESSARY FOR A VIP EVENT. IT WILL BE DIFFICULT TO ENSURE THE EXACT TIMING OF THE MOMENT OF BREAKTHROUGH. THEY ALSO POINTED OUT THAT A CEREMONY IN EARLY DECEMBER COULD BE MISINTERPRETED AS GOVERNMENTAL SUPPORT FOR ET'S SHARE ISSUE IF THAT WAS NOT

COMPLETE BY THAT TIME.
5. ET AND TML ARE NOW RAPIDLY LOOKING AT THE PRACTICALITIES OF OPTION (A). MEANWHILE, WE ARE CHECKING WITH ET AND THE DTI THE TIMING OF ET'S SHARE ISSUE. MAROUANI WILL REPORT BACK TO THE QUAI BUT SAID HE WOULD NOT PUT ANYTHING TO THE ELYSEE UNTIL ET AND TML HAVE COME BACK WITH THEIR REACTIONS.
6. PLEASE PASS COPY OF THIS TO CONSUL GENERAL, LILLE.

HURD

YYYY

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MR SLATER

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MR BURGESS, CTD, DTP
MR STEWART, NEWS DEPT, DTP
MR BEAN, NO 10 PRESS OFFICE

NNNN

How long journey – how
How long ceremony
What would the dead President do.
What would conditions be like. heat, humidity, dust
Security – would be known alternate routes out
concern with running tunnels.
Negotiation with TZ President
T.V. coverage.
Video link? Conference / Calais

8.15 6hours 1hr 20+30
2.15

12.15 4hours get changed.
2hours to local reception
to make speed

If 70% →
humid 80%
overall

With the compliments of Alastair Morton

copy sent by fax 26/10/90

R 30/10

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Alastair Morton
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PERSONAL & PRIVATE

26th October 1990

Andrew Turnbull, Esq.,
Principal Private Secretary,
10 Downing Street,
London.
SW1A 2AA

Dear Mr Turnbull

Fairly probably you have had a report that there appears to have been voices raised at a meeting yesterday involving Uncle Tom Cobleigh and all from Whitehall, Paris, Eurotunnel and TML. At the moment confusion reigns in Paris about whether the President prefers to be waving from the cliff while watching a live broadcast on December 1 or engaged in an act of celebration under-sea on January 20. I shall be in Paris on Monday, perhaps we should talk soon after that.

Yours

Alastair Morton

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TO IMMEDIATE PARIS
TELNO 710
OF 251900Z OCTOBER 90

(1) Fr - Turnbull
(2) Back to me
Pl. file

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NNNN

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Chief Executive
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PRIVATE & CONFIDENNIAL

25th October 1990

Andrew Turnbull, Esq.,
Principal Private Secretary,
10 Downing Street,
London. SW1A 2AA

Dear Mr Turnbull

Tunnel Breakthrough - January 1991

As a result of further discussion with our French colleagues over some of the detailed timings of this event, the programme which I recently passed to you has been modified.

I enclose herewith the modified version. The principal changes are:

1. The timing of the live broadcast from the tunnel has been put back by two hours to begin at Noon UK time, at the insistence of the French. We do not object.

2. Some flexibility has been allowed in the journey times in the tunnel, which now indicates an arrival time at the Shakespeare Cliff site of 0915. It is 35 minutes by helicopter from central London.

3. The simultaneous celebrations in UK and France on the surface are now expected to commence around 1500 UK time.

4. The latest departure time from Folkestone, which is of course dependent on the duration of speeches, could be 1700 - probably earlier.

We still have to run some actual journey-time checks, but this will not be possible just yet. However, we do not expect there to be major changes.

With respect to your preliminary questions concerning details of the actual event, it must be expected that the temperature in the tunnel will be around 70-75°F, with local hot-spots under TV lights and the relative humidity 75-80%.

/...

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The live news coverage is to be routed through a cable to Calais, with British and French directors there. The transmissions will be "mixed" at that site. Details of the persons who will travel to the breakthrough on the lead train will be supplied as soon as possible for your consideration, but can we please have the minimum ministerial party quantified soon. Additional security at local points will be transported separately.

Colin Kirkland, Technical Director, is in charge of the operation for Eurotunnel.

Yours sincerely

Alastair Morton

			0800 UK 0900 F	0900 UK 1000 F	1000 UK 1100 F	1100 UK 1200 F	1200 UK 1300 F	1300 UK 1400 F	1400 UK 1500 F	1500 UK 1600 F	1600 UK 1700 F	1700 UK 1800 F
1.	VVIPs ARRIVE + CHANGE	UK F										
2.	TRAVEL TO JUNCTION	UK F										
3.	CEREMONY	UK F.										
4.	RETURN TO SURFACE	UK F.										
5.	CHANGE REST + REFRESHMENTS	UK F										
6	TRAVEL TO RECEPTION	UK										
7	SPEECHES	UK F										
8	DEPARTURE LINE UP	UK F										
9	ARRIVALS	UK F										
10	LIVE + EDITED PRESENTATION	UK F										
11	LUNCH	UK F										
12	SPEECHES + TOASTS	UK F										
13	DEPART	UK F										

TH.

File

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

22 October 1990

Dear Richard.

CHANNEL TUNNEL

Alastair Morton of Euro Tunnel has been in touch with us about arrangements for the attendance by the Prime Minister and President Mitterrand at a ceremony to mark the breakthrough in the Channel Tunnel in January. The more we have learned about this, the less we like it.

It is now clear that it would involve the Prime Minister being underground in temperatures approaching the 80°s, for around three and half hours (and President Mitterrand for only marginally less). Following which, after a short break to change, they would be required to make televised speeches at their respective terminals. This seems a heavy burden to put on both of them as well as raising concerns about security. We have therefore asked the Embassy in Paris to explore with Mitterrand's office the extent to which they were aware of the provisional arrangements, and their reaction to them. Dr. Caton of the Embassy has seen M. Ury at the Elysee and will be reporting direct to you.

In essence, the French did not seem to have taken aboard the length of the time likely to be involved underground, or the other discomforts. But they had separate concerns of their own relating to both the security and the timing of the proposed ceremony. They took the view that, since the actual breakthrough will take place towards the end of this year and would be celebrated in some style then, a further ceremony in January might be otiose. They wondered whether it might not make more sense for the Prime Minister and President Mitterrand to be associated in some way - above ground - with the actual breakthrough at the time it happened. This could be in either Britain or France or both connected by video link. They made clear that President Mitterrand himself had not yet been consulted.

I understand that all this is to be considered in a meeting at the Foreign and Commonwealth Office on 25 October at which there will be a representative from the Quai d'Orsay. It does

seem to us that, on the face of it, there is a good case for a hard look at alternative arrangements and for avoiding putting both the Prime Minister and the President to the not inconsiderable inconvenience and discomfort of going underground in January (although I have to say that, if the Prime Minister were consulted, I have no doubt that she would agree!) The question is whether we can formulate an alternative proposal which would be acceptable to everyone. You may like to ask whoever is running this on the FCO side to have a word with me.

Yours sincerely,

Charles Powell

CHARLES POWELL

Richard Gozney, Esq.,
Foreign and Commonwealth Office

FCS

Alastair Morton
Chief Executive
Eurotunnel

The Channel Tunnel Group Limited
Victoria Plaza
111 Buckingham Palace Road
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France-Manche SA
Tour Franklin
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92081 Paris, La Défense, Cedex 11
Téléphone: (1) 47 76 42 60
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16th October 1990

Andrew Turnbull, Esq.,
Principal Private Secretary,
No. 10 Downing Street,
London SW1A 2AA.

Dear Mr Turnbull,

Attached is the bar chart from which I spoke. It was prepared after our conversation this morning and has not been simulated yet, so it is provisional.

Personally, I believe there needs to be a contingency margin on steps 2, 3 and 4 - resulting in return to the surface perhaps 12.15 p.m. - and on certainly the French speech if not the English, resulting in 40-45 minutes for the two, not 30. As a consequence, departure from this chart might be 2.45 to 3 p.m.

Step 10 was alternative to 11. As it involved guests arriving in a marquee in time to see the live broadcast and remaining for over four hours, we prefer to show a video recording upon their later arrival.

I shall be in touch early next week about the other points discussed.

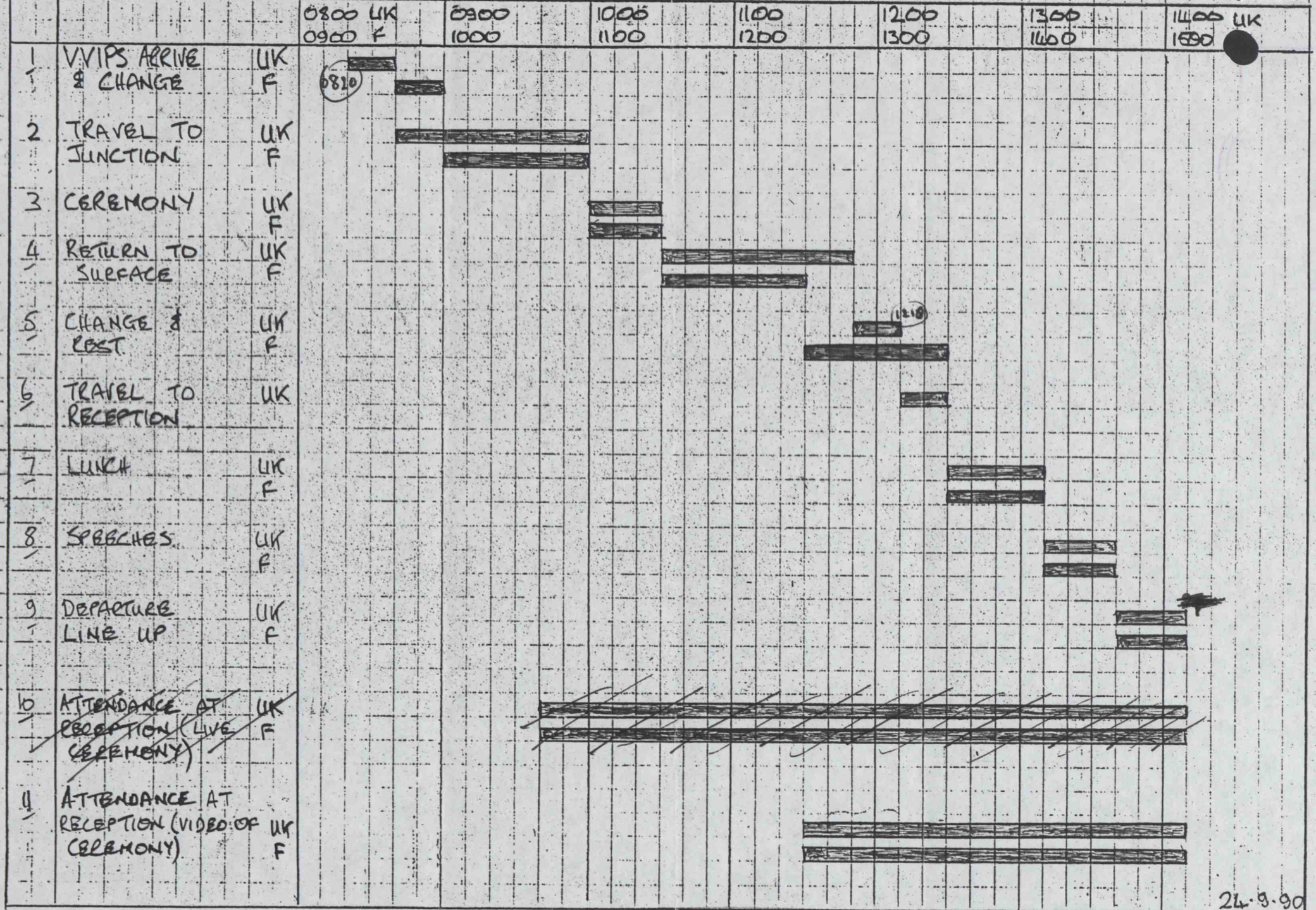
Yours

Alastair Morton

Enc.

Eurotunnel is an association constituting a partnership and a société en participation between The Channel Tunnel Group Limited, Registered Office as above, registered in England No. 1811435 and France-Manche société anonyme, au capital de 1.650.000F, siège social à l'adresse ci-dessus, RCS Nanterre B 333 286714, a company incorporated in France with limited liability whose address for service in Great Britain is given above.

EVENT 3 – OUTLINE PROGRAMME



24.9.90

A190

9d.

R11/10.

Alastair Morton
Chief Executive
Eurotunnel

The Channel Tunnel Group Limited
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10th October 1990

Rt. Hon. Margaret Thatcher, MP,
Prime Minister,
10 Downing Street,
London.
SW1A 2AA

Dear Prime Minister

Earlier this week we were able to announce that, barring any last minute hitches, £2.1 billion of additional loan facilities is on its way to us. If the appropriate work is completed in time this will enable us to launch our £5-600 million rights issue early next month.

Put simply, we shall then have raised £8.75 billion in aggregate private sector funding for a project our contractors, the promoters, costed at less than £5 billion. Amassing that total has required a great deal of hard work from many parties, including the Bank of England and the European Investment Bank, but I believe your willingness to address yourself to our problems in Japan played a crucial part at an appropriate time. Thank you.

I know that our friends and colleagues in France have been impressed all the way to the Elysée by the unpublicised, institutional "flexibility of response" available to me in support of the Tunnel these past months. It was, for example, good to be able to say that 100% of the British banks would stand up for their full share of the increased facilities - a statement unmatched anywhere else in the world until the big banks came together last week to assure the final £300 million.

Throughout the 15 months since we became clear of the scale of additional funding required, I have had it in mind to produce a coincidence of timing between the rights issue and the completion of the first tunnel. You will be aware plans are being developed for the breakthrough, from the first "probe contact" at the end of this month to your proposed visit to finish the job next January 19 or 26. If you have a few minutes after the party conference, I shall be happy to call on you to explain how we propose to go about this historic event and to answer any questions you may have about recent or imminent events.

With best wishes

Yours sincerely

Alastair Morton

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Prime Minister
BHP 17/9

SECRETARY OF STATE FOR TRANSPORT

PRIME MINISTER

CHANNEL TUNNEL

Your letter of 13 August to the Prime Minister of Japan was well received.

The Finance Ministry acted promptly by calling in the four major Japanese banks involved in the Tunnel financing syndicate and asking them to put pressure on smaller banks which had not agreed to contribute to the additional credit facility. In consequence the total Japanese contribution to the refinancing has risen from £160 million to £290 million.

Worldwide some £1.3 billion additional credit for the project has so far been promised. The leading banks in the syndicate are presently working hard to lift that total to within striking distance of their £2 billion target by the end of this month.

C. P.

CECIL PARKINSON
14 September 1990

TRANSPORT: Channel Tunnel 88

R579

Foreign and Commonwealth Office

London SW1A 2AH

5 September 1990

Dear Charles, CDP 94

Channel Tunnel: Letter from Japanese Prime Minister

We sent you on 4 September a copy of the reply from Mr Kaifu to the Prime Minister's letter of 13 August on the Channel Tunnel. I now enclose the original.

The gist of the Prime Minister's letter was circulated to Japanese Banks and NatWest have told our Embassy in Tokyo that the response to this was "very positive". But the Department of Transport report that, while the letter helped with some banks, 31 of the 38 Japanese banks involved in the Tunnel had still not agreed to provide new money as of 31 August.

There is a key meeting of the international instructing banks today, 5 September, at which the position may become clearer. We shall offer further advice once we know the results.

We do not see the need for further action on Mr Kaifu's letter.

Yours ever,

Richard Gozney

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street

(TEXT)

31 August 1990

Dear Prime Minister,

I am writing in response to your letter dated 13th August concerning the Channel Tunnel. I appreciated the opportunity of receiving a detailed explanation on how important this project is for the United Kingdom and Europe as a whole, both from a political and economic perspective.

As you also mention in your letter, this project is a private sector venture, and as such the decision to extend credit is one which should be made by the individual private bank. With this in mind, I immediately conveyed the content of your letter, for their consideration, to those banks which participated in extending the initial credit to the Eurotunnel consortium.

I would like to send my very best wishes for the successful completion of this important project.

Yours sincerely,

Toshiki Kaifu
Prime Minister of Japan

The Rt.Hon. Margaret Thatcher, MP,
Prime Minister and First Lord of the Treasury
10, Downing Street
LONDON, S.W.1.

EMBASSY OF JAPAN
LONDON

31st August 1990

Dear Prime Minister,

I have been asked by Prime Minister Toshiki Kaifu to transmit the text of a letter he has written to you.

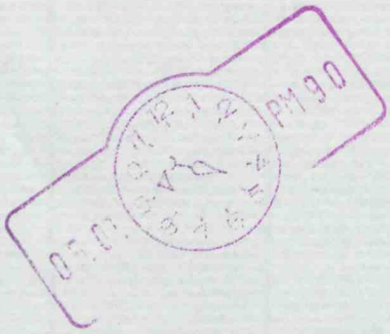
I have pleasure in attaching this herewith.

Yours sincerely,

Kazuo Chiba

Kazuo Chiba
Ambassador

The Rt.Hon. Margaret Thatcher, MP,
Prime Minister and First Lord of the Treasury
10, Downing Street
LONDON, S.W.1.



A. CHANNEL

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

4 September 1990

I enclose a copy of the Japanese Prime Minister's reply to the Prime Minister's letter of 13 August about the Channel Tunnel.

In handing it over this morning, the Japanese Ambassador said that he did not want to steal his Finance Minister's thunder when he sees the Chancellor tomorrow: but, despite the rather bland tone of the reply, the Japanese Government had been active on the subject and understood that the main Japanese banks would indeed play their part.

I am copying this letter and enclosure to John Gieve (HM Treasury) and Richard Gozney (Foreign and Commonwealth Office).

C. D. POWELL

Simon Whiteley, Esq.,
Department of Transport.

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LONDON

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Toshiki Kaifu
Prime Minister of Japan

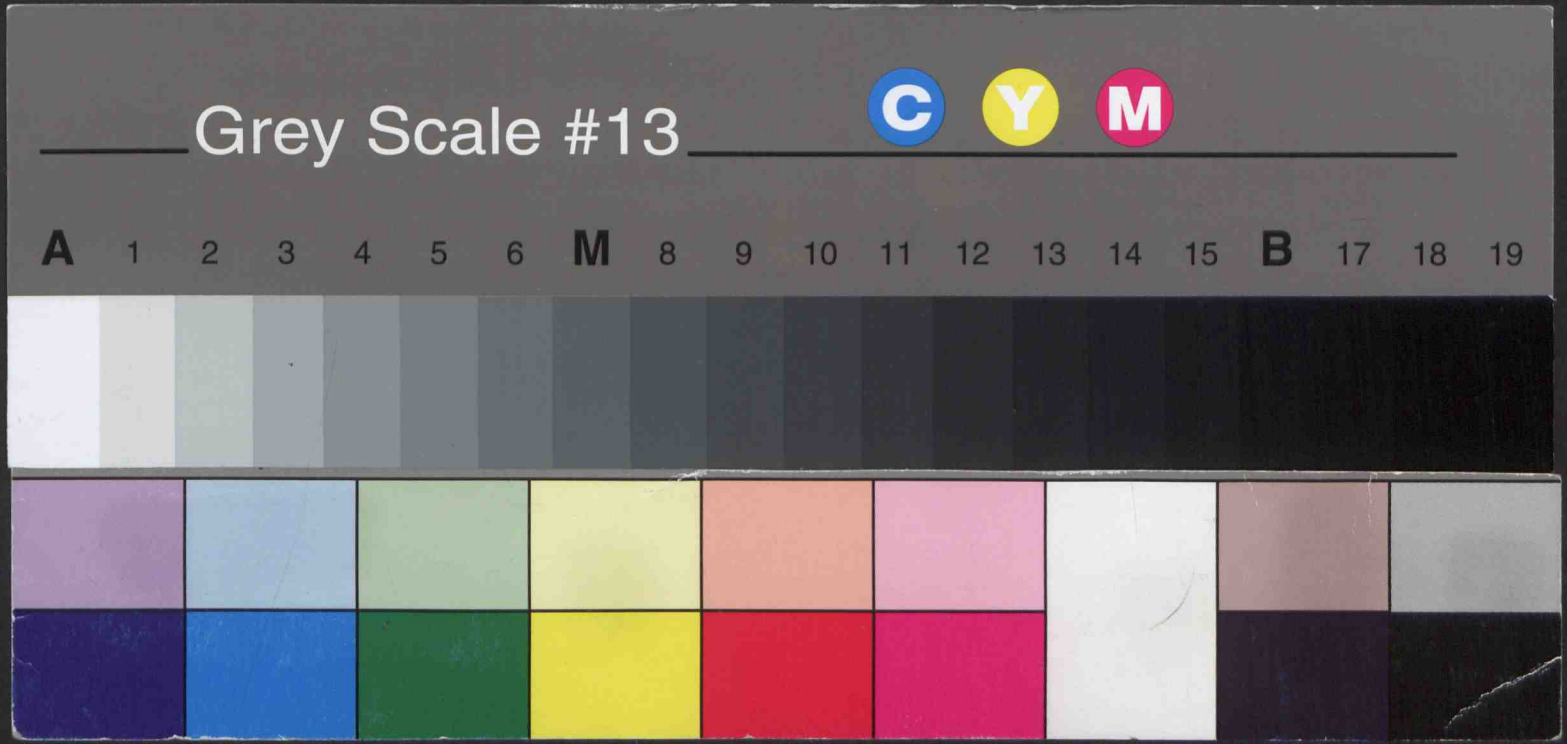
The Rt.Hon. Margaret Thatcher, MP,
Prime Minister and First Lord of the Treasury
10, Downing Street
LONDON, S.W.1.

PART 7 ends:-

PM Kaifu to PM 31.8.90

PART 8 begins:-

COP to D. Evans 4.9.90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