CONFIDENTIAL

CABINET OFFICE

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E 1875

R14/7/2

FILE TITLE

CHANNEL TUNNEL Rail Link
AND
EAST. WEST LONDON CROSSRAIL.

PART NUMBER

FILE BEGINS 9.11.93. ENDS 9.9.94 FILE No. R14/7 PART NUMBER 2

INDEX HEADINGS

REFERRED TO	DATE	REFERRED TO	DATE	REFERRED TO	DATE
HRS D Crossingham	14/1/94.				
PA	24.1.94				

CLOSED

1994

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THERE IS AN ANNEX TO THIS FILE

CAB 164/1297/1

Dd 4622094 C20 9/93 GP 2276/2 CCN 52299

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1

REVIEW OF REGISTERED FILES
DISPOSAL RECOMMENDATIONS

File number....R 14/7 PT2.....

File title....CHANNEL TUNNEL.....

Desk officer....MR. S. CANE.....

This file has been closed. Under the Public Records Act 1958, it must be reviewed (normally five years after it has passed out of active use). This review determines whether the file may then be destroyed or will be of further value to the depasrtment.

To assist reviewing at the appropriate time, you should now consider the likely future use of the file.

If you decide that the file should be reviewed at the first review, tick box **a** below, if you decide that the file merits further consideration at second review, when the file is 25 years old, please tick box **b** below.

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[✓] **a.** Destroy at first review, **five** years after closing date

[ ] **b.** Consider again at second review, **twenty five years** after opening date

c. Retain for [ ] years

If you have ticked box **b**, is the file likely to merit permanent preservation?

[ ] Yes, or [ ] No

Signature of desk officer.....

Date...13.../...2.../...95.../

Sir Robin Butler

CONFIDENTIAL : COMMERCIAL

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

CABINET OFFICE
A 13263
12 SEP 1994
FILING INSTRUCTIONS
FILE No. 1417

FOLIO 109P

Nick Macpherson Esq
Private Secretary to the
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

- 9 SEP 1994

c - Mrs Lomax

Dear Nick,

CHANNEL TUNNEL RAIL LINK COMPETITION

In my Secretary of State's letter of 5 September he warned that GEC might pull out of the Eurorail consortium because of difficulties with the confidentiality agreement which all bidders have been required to sign before receiving the Tender Invitation Documents. Although GEC has, as expected, decided to give up its shareholding in Eurorail, the consortium has decided to stay in the competition. Eurorail CTRL Ltd, and its five remaining shareholders, (BICC, HSBC Holdings, National Westminster Bank, Seeboard and Trafalgar House), have signed confidentiality agreements on our terms, and the TIDs have now been released to them.

I understand that Eurorail will not be announcing this development, or saying anything about their recent difficulties or GEC's role. If there is any media interest my Department will simply say that TIDs have been sent to all four consortia ie Eurorail, Union Link, the Hochtief grouping and London & Continental; we will not comment on GEC's difficulties, or on the membership of Eurorail.

I am copying this letter to the Mary Francis (No.10) to Peter Smith (DTI) and to Melanie Leech.

Yours,

Steve

STEVE ALLEN
Private Secretary

CONFIDENTIAL : COMMERCIAL

Sir Robin Butler

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

CABINET OFFICE
A 13077
- 6 SEP 1994
FILING INSTRUCTIONS
FILE No R147

FOI 109N

The Rt Hon Kenneth Clarke QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

C. Mc Lomex 5/9/94

Dear Ken,

CHANNEL TUNNEL RAIL LINK COMPETITION

I am writing to warn you of the likelihood that one of the six shareholders in the Eurorail consortium, GEC, will withdraw, and that Eurorail itself may then decide to pull out of the competition.

The problem arises from GEC's refusal to accept joint and several liability in respect of any breach by the joint venture company, Eurorail CTRL Ltd of the confidentiality agreement which they must sign before they may receive the Tender Invitation Documents (TIDs). Our reason for insisting that each shareholder should take on this obligation is that, in the event of a breach and Eurorail CTRL Ltd having been wound-up in the meantime, we might need to seek damages from the shareholders. Although the risk of a breach of confidentiality occurring must be very small, the potential liability of the Government could be very large indeed - for example if it enabled Eurotunnel to succeed at arbitration in their claim against BR and SNCF.

The other three CTRL consortia - the groups led by Hochtief, UnionRail, and London and Continental - and their shareholders have signed confidentiality agreements on our terms, and been issued with the TIDs. Five of Eurorail's shareholders - BICC, HSBC Holdings, National Westminster Bank, Seeboard and Trafalgar House - would also be prepared to accept liability on a joint and several basis. But the GEC chairman, Arnold Weinstock, is firmly of the view that his company cannot depart from its policy never to accept joint and several liabilities.

My Department has made clear to Eurorail that the confidentiality requirements cannot be changed. In the circumstances it is very likely that GEC will decide to withdraw from the consortium, and that Eurorail may then decide to pull out of the competition. The Eurorail board is meeting this afternoon and there must be a possibility that their difficulties will leak. It is possible,

however, that either Lord Weinstock, or Cecil Parkinson (the Chairman of Eurorail CTRL Ltd), may approach you or senior colleagues to seek your aid. If they do we should firmly maintain the line that there can be no question of any changes in the confidentiality requirements, which have already been accepted by three of the four CTRL consortia, and by five of Eurorail's six shareholders. If there is any media interest it should be referred to this Department.

I am copying this letter to the Prime Minister, to Michael Heseltine, and to Sir Robin Butler.

Warm regards,

Brian

DR BRIAN MAWHINNEY

RESTRICTED : POLICY

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

FOLIO 109M

Mrs Mary Francis
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

29 JUL 1994

CABINET OFFICE
A 12138
-1 AUG 1994
FILING INSTRUCTIONS
FILE No. R14/7

c- Mrs Lomax
Mr Bird

Dear Mary,

CROSSRAIL

I am writing to let you know, following your letter of 7 July, that Steven Norris has written to the Chairmen of LT, BR and Railtrack as promoters of Crossrail to formally ask them to apply for an Order under the Transport and Works Act by 1 March 1995. This would allow for debates to be held in both Houses of Parliament before the House rises for the Summer Recess next year.

We are also working on the financial structure of the project, in consultation with the Private Finance Panel, in line with the Prime Minister's direction following the last collective discussion of Crossrail, recorded in your letter of 21 January. We plan to progress the discussion of financial structures alongside preparation of the TWA Order. We hope to be ready for a first discussion of the issues at the September meeting of the Panel, so that we can take full advantage of their input to the discussion at an early date.

I am copying this letter to Ivan Rogers (HM Treasury), Peter Smith (DTI), Alan Riddell (DoE) and Melanie Leech (Cabinet Office.

Yours,

Steve

STEVE ALLEN
Private Secretary

RESTRICTED : POLICY

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

20 JUL 1994

109

Mrs Mary Francis
Private Secretary
10 Downing Street
LONDON
SW1A 0AA

CABINET OFFICE
A 11559
21 JUL 1994
FILING INSTRUCTIONS
FILE No. R14/7

C Mrs Thomas

c: Mr Bird

Dear Mary,

CTRL: INTERMEDIATE STATIONS

Mr MacGregor and Mr Gummer agreed last night the terms of an announcement on intermediate stations on the Channel Tunnel Rail Link, and that the announcement should be made tomorrow. I attach the text of a PQ and a Press Notice, which have been agreed at official level with the Treasury and DOE. Dr Mawhinney has not yet seen the papers personally, and we will consult him tomorrow morning.

I am copying this letter to private secretaries of members of EDI, and to Melanie Leech.

Yours,

Steve

STEVE ALLEN
Private Secretary

Mr Dunn (Dartford):

To ask the Secretary of State for Transport, when he intends to announce the locations for intermediate stations on the Channel Tunnel Rail Link.

Dr BRIAN MAWHINNEY

I have now decided that the Hybrid Bill to approve the Channel Tunnel Rail Link will include provisions for an international and domestic station at Ebbsfleet, and for a long box at Stratford, leaving open the option of an international and/or domestic station there.

The provision of a station at Ebbsfleet is subject to our concluding a satisfactory agreement with Blue Circle PLC, which we expect to do soon.

Consortia invited to tender for the Rail Link as a whole will be required to bid on the basis of a station at Ebbsfleet only; Ebbsfleet plus an international station at Stratford; and Ebbsfleet plus a combined international and domestic station at Stratford. A final decision on Stratford will depend on our review of those bids.

GOVERNMENT DECISION ON RAIL LINK INTERMEDIATE STATIONS

The Hybrid Bill to approve the Channel Tunnel Rail Link will include provisions for a station at Ebbsfleet, between Dartford and Gravesend, and also for a long box at Stratford, East London, leaving open the option of an international and domestic station there as well.

Making the announcement, Dr Brian Mawhinney, Secretary of State for Transport, said:

> "This decision is another major step forward for the new Channel Tunnel Rail Link. The four consortia that will shortly be invited to tender to build, own and operate the new Link now have a much clearer indication of the Government's intentions on intermediate stations and will be able to construct their bids accordingly."

As part of the tender process the four consortia will be asked to enter bids on the basis of a station at Ebbsfleet only; Ebbsfleet plus an international station at Stratford; and Ebbsfleet plus a combined international and domestic station at Stratford. A final decision on Stratford will depend on the Government's review of those bids. Invitations to tender will be issued shortly.

Notes to Editors

1. Today's announcement was made in response to a Parliamentary Question from Bob Dunn MP (Dartford). The text is attached.

2. Details of the Channel Tunnel Rail Link competition were announced by Roger Freeman, Minister for Public Transport, on 3 March. Press notice 73 refers.

3. Potential bidders were given until 25 April to submit pre-qualification documents. Of the nine consortia which submitted bids, four have been selected to be invited to tender. Tender invitation documents will be issued shortly.

4. Work is under way on the drafting of the Hybrid Bill to authorise construction of the Rail Link. The Bill will be ready by November 1994; the timing of its introduction will be determined in the light of the Parliamentary timetable.

5. Final decisions on the route were announced on 24 January (press notice 27) and on the line through two outstanding sections in Kent on 28 April (press notice 153).

THE DEPARTMENT
OF TRANSPORT

CABINET OFFICE
A 10760
-8 JUL 1994
FILING INSTRUCTIONS
FILE No. R14/7

Sir Robin Butler

108

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COVERING - CONFIDENTIAL - POLICY

C. Mrs Lomax

OWING TO THE SENSITIVITY OF THIS DOCUMENT IT SHOULD ONLY BE CIRCULATED ON A STRICT NEED TO KNOW BASIS.

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CONFIDENTIAL - POLICY

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref: PSO/10634/94

Your ref:

The Rt Hon Tony Newton OBE MP
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1A 2AT

- 8 JUL 1994

Dear Tony,

CHANNEL TUNNEL RAIL LINK - INTERMEDIATE STATIONS

Thank you for your letter of 1 July. I think there is general agreement that there should be a combined international and domestic station at Ebbsfleet. The tender documents and the Hybrid Bill will be drafted on that basis. The key outstanding issue is what should be done at Stratford.

The financial and economic case for a station at Stratford has never been strong. Recent work by Union Railways has demonstrated that the case for a station is even weaker than it seemed earlier this year, since it would significantly reduce the economic benefits from CTRL while adding considerably to the financial cost to Government. Given that, despite ample opportunity, the Stratford promoter group has not come up with a satisfactory financing proposal, we would be justified in ruling out a station at Stratford now.

However, I have some sympathy with the regeneration arguments advanced by John Gummer and Michael Heseltine. I also recognise the Parliamentary difficulties if the Bill does not contain any provision relating to Stratford. I have discussed the issue with Michael Portillo, to see if there is any way forward which might go at least some way to meet those concerns. As a compromise he and I would be prepared to see the long box at Stratford included in the Bill so long as it was left entirely to the private sector to decide whether there should be a station at Stratford.

We would not be prepared to go further than this and require tenderers for CTRL to bid on the basis of a station at Stratford. It is essential that the decision on whether or not a station should be built at Stratford is left to the private sector promoter. On that basis bidders do not need to be obliged to cost CTRL with a Stratford station. They would, of course, be free to put in a bid including a station if, in their commercial judgement, it was sensible to do so.

CONFIDENTIAL - POLICY

As I understand their position, Michael Heseltine and John Gummer would prefer it if bidders were obliged to price the Stratford option, so that Ministers collectively could take the final decision on whether or not there should be a station there. That course would be unacceptable to me and the Chief Secretary, since it would add considerably to the burden we are placing on tenderers, and greatly reduce the attractiveness of the CTRL competition.

I should add that the compromise which I am proposing would not be cost-free. In particular we would lose Blue Circle's substantial offer for the Ebbsfleet station. But I should be prepared to live with this in the interests of reaching agreement with colleagues. My Accounting Officer has advised me that, were we to follow this course, he will require a formal direction on value for money grounds, which, under the new arrangements, would have to be communicated to the Comptroller and Auditor General. (memo attached)

We need to settle this issue very quickly if the tender documents are to be issued by the end of July. The attached paper sets out the issues in more detail. I suggest that colleagues should let you know urgently whether or not they agree the way forward suggested in this letter. If it causes any of them difficulties, we shall need a collective discussion very early next week to resolve matters, possibly in ED(I). I am therefore copying this letter and its attachment to other colleagues in ED(I) and to Sir Robin Butler.

Yours ever,

JOHN MACGREGOR

RESTRICTED - POLICY

FROM: A P BROWN
7 July 1994

Secretary of State

cc: Mr Freeman
Mr Montagu
Mr Grimsey
Ms Hopkins
Mr Reeves

CTRL: INTERMEDIATE STATIONS

The attached submission on intermediate stations for the Second Channel Tunnel Rail Link (CTRL) recommends that you write to the Lord President offering to include the provision of the "long box" at Stratford in the Hybrid Bill, with the decision on whether or not to provide an intermediate station at Stratford left to the Private Sector.

2. Official advice is that this course of action will cause Blue Circle to withdraw their offer for the station at Ebbsfleet, with the loss of up to £93m in cash contribution and £70m in non-financial benefits.

3. I am bound to advise you that I do not consider that this course of action would represent value for money. If therefore you are minded to accept the recommendation, **I will require a formal direction on value for money grounds before a decision is made to include provision for the long box in the Hybrid Bill.**

4. You will wish to recall that under the new arrangements set out in the Alex Allan's 23 May letter to Nick Macpherson, any direction **will have to be communicated immediately to the Comptroller and Auditor General.**

Patrick Brown

A P BROWN

CONFIDENTIAL - POLICY

CHANNEL TUNNEL RAIL LINK - INTERMEDIATE STATION AT STRATFORD

Note by the Secretary of State for Transport

Introduction

1. A decision is needed on whether to provide for a possible future station at Stratford on the Channel Tunnel Rail Link. I announced in January that the London terminus will be at St Pancras and that, subject to satisfactory finance being provided there would be one, possibly two intermediate stations between there and Ashford International, which is already under construction. The four Departments chiefly concerned (Transport, Environment, Trade & Industry and Treasury) have agreed that there should be a combined international and domestic station at Ebbsfleet in North Kent, and the necessary powers for this will be taken in the CTRL Hybrid Bill. However it has not been possible to agree what if anything should be done at Stratford. A decision is needed quickly so that it can be reflected in the tender documents for the CTRL competition, due to go out by the end of this month.

Background

2. Colleagues are not being asked to consider whether a full station should be provided now at Stratford, but whether the option of doing so in future should be kept open. CTRL will run in tunnel through Stratford with an open concrete box below ground level to provide a cross-over facility between tracks. A larger box would be needed to allow a future station to be built. This would have to be provided at the time CTRL was constructed, since enlarging the box later would require protracted closure of the line and substantially greater cost.

Options for decision

3. Ministers have in essence been considering two options:

i) to make provision in the CTRL Hybrid Bill for the larger concrete box at Stratford required to facilitate an international and/or domestic station in the CTRL Hybrid Bill and require the CTRL bidders to submit alternative bids for three options: Ebbsfleet alone; "Ebbsfleet plus Stratford combined international and domestic; and "Ebbsfleet plus Stratford domestic only. If the bids received showed an unreasonable impact on the size of the public sector contribution in relation to the potential regeneration benefits produced, the box provisions could be withdrawn from the Bill. The final decision on Stratford would be made by Ministers.

ii) to rule out a station at Stratford now, and include provisions for Ebbsfleet only in the Bill.

Case for option (i)

4. The Secretary of State for the Environment and the President of the Board of Trade believe that a combined international and domestic station at Stratford as well as at Ebbsfleet is necessary in order to achieve regeneration of the East Thames corridor as a whole. Malcolm Rifkind's statement on the route in 1991 said:

> "the easterly route offers substantial new development opportunities. It will open up the prospect of major business development and employment which will be welcomed by the people of East London and those living in the Lower Thames area."

5. Stratford is the major area in South East England selected for support under Objective 2 of the European Regional Development Fund. It is at the centre of the area with the highest levels of deprivation and unemployment in the UK (general unemployment levels of 20% and male unemployment of 30% in the surrounding Boroughs), and Government policy is to bring investment and jobs to the area. The Regional Planning Guidance (published in March) said that the East Thames Corridor represents the main opportunity for growth in the South East.

6. The Secretary of State for the Environment fears if an international station is provided at Ebbsfleet but not at Stratford, there will be a lack of balance in the development of the East Thames Corridor, with East London having to compete with North Kent and becoming worse off. A domestic only station at Stratford would serve developing markets for employment in Docklands and East London but would have a much smaller regeneration impact (DOE estimate is about a quarter of the international station effects).

7. Studies of the potential regeneration benefits have been undertaken by DOE (1992), Pieda for Union Railways (1993) and by Victor Hausner and Associates for LPAC (1993). All of these studies concluded that an international station at Stratford would have the effect of encouraging investment in new business development in the area, resulting in higher value land uses and the creation of new job opportunities, though they differ in the size and extent of the benefit created. For a combined station DOE's figures give an NPV of £101m, Pieda £27.6m. (See information, prepared by DOE, at Annex 1).

8. The Secretary of State for the Environment and the President of the Board of Trade support option (i) on the grounds that it would enable the private sector to consider the option of a future Stratford station as an addition to Ebbsfleet. They believe that the submitted bids would reflect the attractiveness of a Stratford station to the market, enabling a better view to be taken of the balance of costs and benefits. This course of action would allow the CTRL bidders to express a view about

Stratford and would be likely to reduce opposition to the Hybrid Bill at Second Reading.

Case for option (ii)

9. A station at Stratford would seriously reduce both the overall economic benefits of CTRL and the direct revenues to the promoter, because it would increase journey times and cut the number of domestic services that could be run. This would mean slower international services and fewer and slower commuter services from Kent. Annex B summarises the results of work by Union Railways (UR), who are developing CTRL for the Government. International services are operated in partnership with French and Belgian railways. As well as his own revenue losses, the CTRL operator would be obliged to compensate them under the revenue-sharing agreement for increased journey times.

10. Leaving options open would impact adversely on the CTRL competition. The six month tender period is very tight, particularly since we are looking to the bidders to come up with innovative variants that will reduce the level of Government support required. Modelling the operational effects of Stratford is complex and expensive; requiring the bidders to do their own analysis would mean extending the tender period by several months, which would delay the project unacceptably. The alternative is to give bidders the results of the UR work and invite them to check this out for themselves. This is unlikely to produce very different results from the present UR figures but would divert bidders' effort from their main task of finding ways of minimising the total project cost.

11. Furthermore, it is by no means certain that bidders would be prepared to provide realistic prices anyway. If they think a station at Stratford is worthwhile they are already free to bid for it as an alternative. If they do not think it is a commercial proposition but something Government might be prepared to demand and pay for, they are likely to inflate their bids in order either to maximise the Government contribution or to make the proposal prohibitively expensive. Our financial advisers, Hill Samuel, think that bidders would require Government to underwrite the long term operational risk.

12. Bidders want certainty. Each element of uncertainty reduces the attractiveness of participation in the project and increases the level of bids for public sector support. If we want to leave open the possibility that Government might impose a Stratford station at some unspecified future date then the possible terms would need to be defined and provision made for an appropriate compensation mechanism in the development agreement. Both Hill Samuel and McKenna's (competition legal advisers) are clear that a development agreement which remained silent on the issue would simply not be bankable, given the revenue risks involved.

13. In seeking bids for stations we said that approval was

dependent on the provision of satisfactory financing by the station promoter groups. The Stratford Group have produced a proposal which is intended to cover the costs of construction but which does so largely by utilising receipts from the sale of public sector assets, principally BR land. In effect it requires Government to meet the cost itself.

14. Blue Circle, promoters of Ebbsfleet, have come up with an attractive offer which involves provision of land for CTRL and the station, a substantial contribution to infrastructure costs and a share in the wider development benefits. The offer is conditional on our ruling out a Stratford international station now. If Ebbsfleet is selected and the Bill introduced without securing a financial contribution upfront, Blue Circle would have no reason to make one later. While we would still secure a station at Ebbsfleet, we would lose the Blue Circle offer, leaving Government to meet the cost.

Financial implications

15. If the Government required a station to be built at Stratford for international and domestic services as well as one at Ebbsfleet, there would be a net financial cost to HMG of £102m NPV. In addition, there would be the loss to HMG of Blue Circle's contribution of up to £93m cash and a loss of non-financial benefits of £70m.

16. If the Government required a station to be built at Stratford for domestic services only there would be a net financial cost to HMG of £82m. In addition there would be a loss of non-financial benefits of £155m.

Conclusion

17. The Secretary of State for the Environment and the President of the Board of Trade believe strongly that we should not close off the possibility of a future Stratford station at this stage because of the potential regeneration benefits that a station, particularly an international station, would bring. To facilitate possible future provision of a station they would like to see powers introduced in the Hybrid Bill for the necessary concrete box and they would like the CTRL bidders to be required to submit alternative bids with and without Stratford international/domestic and domestic only stations. The Lord President supports this position.

18. The Chief Secretary and I would have been content to leave open the possibility of a station if this was a cost free option. Unfortunately it is not. It must be recognised that:

- We would lose Blue Circle's contribution to Ebbsfleet;

- A station at Stratford would impact badly on the economics

of CTRL and therefore on the justification for the very large measure of public support that will be needed for CTRL to go ahead.

- Uncertainty over whether a station is to be provided in due course would be make the CTRL competition much less attractive and would lead to a requirement for significantly increased public sector support.

19. For these reasons the Chief Secretary and I would much prefer a station at Stratford to be ruled out now. However, recognising the strong views of the Secretary of State for the Environment and the President of the Board of Trade and in particular the comments of the Lord President on handling of the Bill, we would reluctantly be prepared to offer a compromise solution. Rather than ruling out Stratford at this stage, we would make provision in the Bill for the largest (combined station) box, ask the bidders to consider whether they wished to have a station at Stratford and if so ask them to put forward proposals and price them. In this way a decision on whether a station should be provided would be left to the private sector to decide.

20. This option would still mean forgoing Blue Circle's contribution to Ebbsfleet if colleagues wished to announce now that an Ebbsfleet station would be a minimum requirement and would be provided for in the Hybrid Bill.

Annex A

REGENERATION BENEFITS

Studies of the possible regeneration benefits of a CTRL station at Stratford have been undertaken by DOE, Pieda (for UR) and by Victor Hausner and Associates (for LPAC). The results were:

(a) Change in land values resulting from impacts on the volume, mix and timing of development:

£m (NPV)	DOE (335ha) Combined	Domestic	Pieda (208ha)
Stratford	14	5	11
Royals/Beckton	87	22	
Royals (part)			11.4
Lea Valley			5.2
Total	101	27	27.6

Notes

The main reason for the difference between these estimates was that Pieda considered the main impacts would be in terms of timing, rather than type, of development. It is the view of both Newham and the LDDC that access to international markets via CTRL would change both the quantity and mix of development.

(b) Job Creation

The Hausner study considered mainly employment impacts, estimating a possible 23,000 new jobs in the Stratford area and up to 100,000 new jobs throughout East London. The Pieda study suggested 12,500 new jobs at Stratford and concluded that an intermediate UR station at Stratford would enhance the image and make a significant contribution to the process of regeneration in inner East London.

Pieda said that regeneration would only be achieved if other policies and programmes supported it. This is being provided through the LDDC, the ERDF Objective 2 programme, Stratford City Challenge, the Government's East Thames Corridor initiative and the Lea Valley Partnership.

TABLE A

SERVICE PATTERN OPTIONS FROM ST. PANCRAS

OPTION	A		B		C		D1		D2	
	Ebbsfleet and Ashford		A+ Stratford International		A+ Stratford Domestic		A+ Stratford Combined		A+ Stratford Combined All Stopping	
	Int	Dom	Int	Dom	Int	Dom	Int	Dom	Int	Dom
Trains to St. Pancras	5	12	5	10	5	8	5	10	5	10
Trains stopping at Stratford	_	_	2	_	-	8	2	6	5	10

All options assume:

(i) 2 International trains per hour serve Ebbsfleet

(ii) 1 International train per hour serves Ashford

(iii) 4 Domestic trains per hour run to Ashford

(iv) 2 Domestic trains per hour terminate at Ebbsfleet.

Annex B

TABLE B **INTERMEDIATE STATION EVALUATION**

Evaluation as previously presented to officials, excluding impacts of reduced capacity and longer journey times.

	EBBSFLEET ∅ ONLY	EBBSFLEET AND STRATFORD ∅ COMBINED	DIFFERENCE
Costs			
Capital Cost	(70)	(161)	(91)
Ongoing Cost	(33)	(35)*	(2)
Other Cost	(29)	(29)	–
Revenue			
International	42	42	–
Domestic	25	25	–
Car Parking	39	45	6
Development-related demand	10	15	5
Non-Financial Benefits	55	40	(15)
TOTAL	39	(58)	(97)

* Correction to figure of (66) quoted in presentation to officials.

∅ International and domestic

TABLE C: IMPACT ON EVALUATION OF CAPACITY AND JOURNEY TIME CHANGES

These figures are <u>in addition to</u> those in Table B.

OPTION	A	B	C	D1	D2
	EBBSFLEET	A+ STRATFORD INTERNATIONAL	A+ STRATFORD DOMESTIC	A+ STRATFORD COMBINED	A+ STRATFORD COMBINED ALL STOP
REVENUE					
International	Base	(10)	-	(10)	(50)
Domestic	Base	(10)	(30)	(10)	(10)
Non-Financial Benefits	Base	(40)	(140)	(55)	(65)
TOTAL	–	(60)	(170)	(75)	(125)

7+10

Sir Robin Butler

R

SECRETARY OF STATE FOR THE ENVIRONMENT

CABINET OFFICE
A 10798
11 JUL 1994
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FILE No. R14/7

107

PRIME MINISTER

CROSSRAIL BILL

C. MacBird

I have seen copies of the recent correspondence on the Crossrail Bill.

I am particularly concerned, given the failure of David Lidington's motion for recommittal, that we maintain momentum on the Crossrail project. This not least in view of its widely perceived role as a fundamental commitment to London's future as a World City and, of course, its close synergy with an International Passenger station at Stratford; a gateway in the regeneration of East London.

It is clear that proceeding by way of a hybrid Bill would lead to an unacceptable hiatus with a serious and embarrassing undermining of the Crossrail case. John MacGregor's suggestion of the Transport and Works Act route does offer the prospect of an immediate resumption. Clearly there is some uncharted territory here on which DoT are best placed to advise. In principle, however, I would strongly support the approach as the most effective demonstration of our continuing commitment to the project.

I am copying this letter to John MacGregor, Kenneth Clarke, Michael Heseltine, John Wakeham, Tony Newton, Richard Ryder and Sir Robin Butler.

JSG

7 July 1994

RESTRICTED - POLICY



CABINET OFFICE
A 10630
-7 JUL 1994
FILING INSTRUCTIONS
FILE No. R147

Sir Robin Butler

106

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

7 July 1994

Dear Steve,

C. Mackenzie

CROSSRAIL

The Prime Minister has seen your Secretary of State's undated minute proposing that the promoters should be encouraged to take Crossrail forward under the procedures of the Transport and Works Act, together with the subsequent correspondence.

The Prime Minister is content with this proposal. He has asked me to say that the period until the application is deposited should be used for work on the financial structure of the project and to explore the scope for involving private operators.

I am copying this letter to Ivan Rogers (H.M. Treasury), Peter Smith (Department of Trade and Industry), Joan Bailey (Lord Privy Seal's Office), Dugald Sandeman (Lord President's Office), Alan Riddell (Department of the Environment), Mrudo Maclean (Chief Whip's Office) and Melanie Leech (Cabinet Office).

Yours,
Mary

MRS. MARY FRANCIS

Steve Allen, Esq.,
Department of Transport.

RESTRICTED - POLICY

CONFIDENTIAL - POLICY

Sir Robin Butler
Melanie Leech



CABINET OFFICE
A 10458
-5 JUL 1994
FILING INSTRUCTIONS
FILE No. 214/7

10SM

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

5 July 1994

C. Mr Bird

Dear Paul,

CROSSRAIL BILL

The Prime Minister will see later today your Secretary of State's (undated) minute about the CrossRail Bill.

I should be grateful for quick advice from you and the Business Managers on the parliamentary implications of the Transport and Works Act route. How much time would be required for parliamentary debates in the period April - August 1995? I should also be grateful for advice on the practicality of applying the TWA procedures to a major project such as CrossRail. Are you satisfied that the parliamentary debates and, particularly, a public inquiry can cope with the range of issues and interests involved? Is the timetable realistic, and does it take account of the further work on financial structures and customer demand mentioned in your Secretary of State's minute?

It is clearly desirable for an early statement to be made about CrossRail. However, if the Speaker decides this afternoon that she will not select David Lidington's motion, a holding line will be needed. This might be:

> "The Government notes the Speaker's decision not to select Mr David Lidington's motion on CrossRail for debate. The Government remains committed to the CrossRail project. Although we regret that it cannot now be progressed by means of a Private Bill, other options exist and are being urgently examined. A further announcement on the way forward will be made as soon as possible."

I should be grateful to know whether you are content with this form of words.

I am copying this letter to Nick Macpherson (HM Treasury), Peter Smith (Department of Trade and Industry), Joan Bailey (Lord Privy Seal's Office), Dugald Sandeman (Lord President's Office), Alan Riddell (Department of the Environment), Murdo Maclean (Chief Whip's Office) and Melanie Leach (Sir Robin Butler's Office).

Yours, Mary.

MRS. MARY FRANCIS

Paul Coby Esq
Department of Transport

CONFIDENTIAL : POLICY

Sir Robin Butler

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

105

Mrs Mary Francis
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

CABINET OFFICE
A 10503
- 6 JUL 1994
FILING INSTRUCTIONS
FILE No. R14/7

- 5 JUL 1994

C. M. Bird

Dear Mary,

CROSSRAIL BILL

Thank you for your letter to Paul Coby of earlier today.

We have not as yet formally consulted the Business Managers on the Parliamentary implications of the Transport and Works Act but they are relatively small. Parliamentary debates are to give Parliament time to approve a project which the Secretary of State has identified as being of national signficance. This would take no more than a half day debate in each House in the period April - August 1995. If the application were made on 1 March, the debates would be in July.

The Transport and Works Act 1992 was introduced to take forward capital projects for which statutory powers are needed, Parliament having become increasingly discontented with the amount of its time required for Private Bills. Crossrail is such a project. There is very little experience of the working of the Act, but there is no reason to think it impossible for major projects if a Private Bill is unavailable; the special procedure for schemes of national significance suggests that the Act should apply to large schemes. (One effect of the special procedure is that it should allow the Inspector to disallow evidence during the public inquiry which seeks to re-open issues of principle that have been already debated and approved in Parliament.)

There is inevitably some doubt about timescales but the timetable attached to my Secretary of State's minute was a best estimate. (There would also inevitably be uncertainties about when the legislative programme might permit a Hybrid Bill to be introduced.) The further work on financial structures would be done in parallel with the TWA procedures, and it would also be during those procedures that the picture on demand would develop, as my Secretary of State's minute indicated.

CONFIDENTIAL : POLICY

[redacted] Secretary of State made the point in his minute yesterday that we need to make a positive statement about our commitment to the project and our intentions for carrying it forward. Until we are able to do so, we do need an interim line. In the light of the Chairman of Ways and Means' objection to the recommittal motion, we agreed the line should be:

> "The Government notes that Mr David Lidington's motion was opposed. The Government is urgently considering the implications of this. The Government remains committed to the Crossrail project and to finding a way forward. If it cannot be progressed by means of a Private Bill, other options exist."

I am copying this letter to Nick Macpherson (HMT), Peter Smith (DTI), Joan Bailey (Lord Privy Seal's Office), Dugald Sandeman (Lord President's Office), Alan Riddell (DOE), Murdo Maclean (Chief Whip's Office) and Melanie Leech (Sir Robin Butler's Office).

Yours

Steve

STEVE ALLEN
Private Secretary

CONFIDENTIAL : POLICY

Sir Robin Butler

CABINET OFFICE
A 10443
-5 JUL 1994
FILING INSTRUCTIONS
FILE No. R14/7

104

PRIME MINISTER

C. M. Bird

CROSSRAIL BILL

Further to my note of 17 June, I am writing to recommend the line we should take once David Lidington's motion to recommit this Bill has been dealt with in the House. As you know, the motion is due to come up for consideration as unopposed private business at 2.30pm tomorrow, Tuesday 5 July. Of course we do not need to make any statement so long as the Private Bill remains alive.

2. However,I understand that the Speaker is quite likely not to select David Lidington's motion despite the very large number of signatures (279 at the last count) which he has collected in support. If that were her decision she would say so tomorrow, and that would in practice kill the private Bill. Even if she did select the motion, it would almost certainly be objected to. That would mean that, for the motion to make further progress, the Chairman of Ways and Means would have to make arrangements with the Government Business Managers for time to be made available for a debate. Given his likely reluctance to do that, there is a very real risk that the private Bill may fail within the next few weeks even if the Speaker selects the motion tomorrow. In either event there would be no realistic prospect of carrying the recommittal motion or the Bill itself forward to the next Session, and we should have to recognise that the private Bill was dead. (And even if recommittal were achieved, Dr Marek's apparent present attitude, as indicated by his recent letter to Labour MPs, seems to make the prospects of the Bill in Committee very doubtful).

3. Once we have reached that position, which may be as early as tomorrow, there will be immediate pressure for a Government statement. We will need to be able to say straightaway what our intentions for CrossRail are in the light of the decision.

4. In my note of 17 June to you I said that, in the event of the recommittal motion failing, we should make it clear with the minimum of delay that we intended to seek powers as soon as possible by a different route. I argued that any postponement

of such an announcement would make the Government appear infirm of purpose in the face of widespread pressure, not least from the City, to keep the CrossRail project alive. I pointed to your decision last year that the alternative to a private Bill should be a hybrid Bill, and said I continued to support that.

5. Since we firmed up our legislative programme at last week's Cabinet, I believe that it now makes better sense to give our continuing commitment to CrossRail effect by encouraging the promoters to take it forward under the procedures of the Transport & Works Act. This will take rather longer than a Private Bill or a hybrid Bill (I enclose a time-table for TWA procedures as they might apply to CrossRail), but the more extended time-table has the positive benefit of giving us more time both to develop the financial structures for a joint venture, and to see how demand will develop before we are faced with critical decisions entailing major expenditure commitments.

6. If it becomes clear, tomorrow or soon after, that there is no further prospect of carrying Crossrail forward as a Private Bill, we must be ready to respond with a positive announcement reflecting our often-repeated commitment to the project and our intentions for carrying it forward under different procedures. I suggest that I should make a statement on the following lines:

> "We greatly regret that it will not now be possible to secure the powers required for Crossrail by means of a private Bill. However, we have noted the widespread support which Mr Lidington's motion received from all parts of the House and we will be taking steps to see this important joint venture project taken forward as quickly as possible by the most appropriate alternative means. We have therefore asked the project sponsors, London Transport, British Rail and Railtrack, to prepare a draft Crossrail order for submission to the Secretary of State under the Transport and Works Act 1992".

7. I am copying this minute to Kenneth Clarke, Michael Heseltine, John Wakeham, Tony Newton, John Gummer, Richard Ryder and Sir Robin Butler.

J M

THE CROSSRAIL TWA ORDER

Likely Timescale

Consultation starts	1 October 1994
DATE OF APPLICATION	**1 MARCH 1995**
Objection period	to Mid-April 1995
Decision that scheme is nationally significant and announcement of Parliamentary Stage	Late April 1995
Parliamentary Debates	**April - August 1995**
Setting up of Public Inquiry, completion of pre-inquiry procedures including pre-inquiry meeting	to late February 1996
DURATION OF PUBLIC INQUIRY	**FEBRUARY - AUGUST 1996**
Inspector's Report	**by mid-February 1998**
SECRETARY OF STATE'S DECISION	**MID-AUGUST 1998**

Sir Robin Butler

R





103

PRIME MINISTER

c: Mr Bird

CROSSRAIL BILL

I have seen the recent exchanges on Crossrail, including Ken Clarke's letter to John MacGregor.

I am concerned that, in the flurry of procedural points, we should not lose sight of our repeated commitment to Crossrail and the need to find an early way forward. I wholly disagree with the suggestion that we should stand back from Crossrail. The notion that there is a cheaper, more effective, alternative to the alignment as proposed has already been countered in detail by DoT's consultants on a number of previous occasions and rejected accordingly.

The suggestion that the promoters' recent undertaking, on a link with CTRL and Heathrow Rail Express, should threaten the CTRL competition and involve us in additional costs of £200 million seems to me overstated. There may well be important issues to resolve here but, as DoT suggest, these are for the relevant private sector partners at a future date and at their expense. They surely cannot be considered to constitute a case for sabotaging the Crossrail Bill and all the opportunities which it represents, in order to favour CTRL.

Crossrail remains central to our commitment to London's future. It is widely recognised as such, especially in the private sector. The line would link principal building blocks in London's regeneration stretching from Heathrow, Park Royal and other West London Corridors, through to the Lee Valley, Stratford and the East Thames Corridor. Its role as a regional metro offers to create particular synergy within the London rail system, most importantly at Stratford, in association with an International Passenger Terminal - the focal point of East London's regeneration. There are other major opportunities at Farringdon with Thameslink, and at Park Royal. Crossrail is, in short, a route which will sustain regeneration in London at every level. It would be shortsighted in the extreme not to take forward this vital element of London's future infrastructure which taxpayers, the private sector and local communities alike are looking to us to facilitate.

I am copying this minute to Kenneth Clarke, Michael Heseltine, Tony Newton, Richard Ryder and Sir Robin Butler.

JSG

17 June 1994

CONFIDENTIAL : POLICY

Sir Robin Butler

R



102



PRIME MINISTER

c: Mr Bird

17 JUN 1994

CROSSRAIL BILL

I am writing in response to Mary Francis' letter of 14 June, asking for an assessment of the options on Crossrail.

The immediate issue is the motion for recommittal, and I have seen the note by Murdo Maclean on the procedure. As to the chances of success, my understanding is that everything hinges on whether the Speaker selects the motion for debate. Recommittal would be a substantial step, and she may well be advised that the Committee went about its task properly so that there is no basis for recommittal. But it remains to be seen how much support David Lidington's motion attracts, and how much weight the Speaker attaches to that support, as an expression of the wish of the House (albeit on a private Bill). In any debate, David Lidington would no doubt draw attention, as a new factor, to the promoters' willingness to table a provision authorising the construction of a connection between Crossrail and the Channel Tunnel Rail Link, though he would not of course be able to give any indication that the powers would be used.

We have been in touch with David Lidington, and we understand that he envisages tabling his motion very shortly (indeed it may by now already have gone down). So the decision on whether or not it has been selected for debate may be known by the week after next. We will also be inviting him to table the PQ on which there has been correspondence in the last few days.

As to Mr Purchase, it may well be that his colleagues will seek to persuade him to resign from the Committee; but I am advised

that the Committee of Selection would need to agree to discharge him from the Committee, and that their agreement is by no means certain. Mr Purchase has heard all the evidence so far; in special cases such as illness, or acceptance of a Ministerial appointment, it is possible for a new member to undertake to read all the previous papers, but it is not at all clear that that would be agreed in the absence of special circumstances. So we might have to rely on Mr Purchase being persuaded by his colleagues to change his vote.

I would certainly want the position on David Lidington's motion to be established as soon as possible, so that we know where we stand; I do not therefore envisage trying to persuade him to delay tabling his motion. Least of all would I be willing to try and dissuade him from taking it forward at all, even if that were now possible. Having accepted that Crossrail should proceed as a private Bill, it seems to me that we must now allow the procedure of the House to take its course.

If the House decides in favour of recommittal, then I believe that we should allow the promoters to seek to persuade the Committee to reverse its earlier decision; again this would be in line with our earlier decision in favour of a private Bill. As I have noted above, the promoters have already offered (to the Chairman of Ways and Means) an undertaking to add to the Bill a provision authorising construction of a link between Crossrail and the Channel Tunnel Rail Link (and between Crossrail and the Heathrow Express); that offer is the new factor which would be put to a reconvened Committee. It remains to be seen whether the Committee would be satisfied by this, given the very strict constraints on what the promoters can say about its implementation. It is to be hoped that the Committee's view would be known in principle before the summer recess, although this cannot be certain.

If at some point it has to be accepted that the private Bill is not going to succeed - and we are not there yet - then certainly we shall have to consider what to do next. We already have an announced commitment to the project, and for my part I believe

that we should make it clear with the minimum of delay that it is the intention to seek powers as soon as possible by a different route. I see no merit in postponing an announcement, which will only make us appear infirm of purpose, in the face of widespread pressure, for example from the City, to keep the project alive. We would, of course, continue to stress that it can only be taken forward as a joint venture, with a substantial private sector contribution.

As to the best route to pursue, you decided last year that the alternative to a private Bill should be a hybrid Bill (Mary Francis' letter of 14 May last), and I continue to support that. The alternative would be to use the Transport and Works Act (TWA) procedures; so far we have very little experience of these (least of all for projects of this size), but the timetable seems likely to be lengthy and uncertain. The most optimistic forecast, by London Transport, is that the formal process might start this autumn, based on the work already done on the project, and last for four years; but a more pessimistic view is that the powers might not be available until the year 2000, or even later. A hybrid Bill is more of a known quantity, and we could expect powers to be available within two years from commencement.

There are, of course, other considerations on either side, and my officials could circulate a more detailed note if you wish. For example, a hybrid Bill would require more Parliamentary time than TWA procedures, and we would need to consider how it would inter-relate in its Parliamentary stages with the hybrid Bill for the Channel Tunnel Rail Link.

I cannot agree with Ken Clarke's suggestion that we should look at alternatives to Crossrail. This has been done already as part of the Bovis-Gibb exercise, and it was in the light of that work that you decided that Crossrail should go ahead. We have already been subjected to immense criticism for the number of times the project has been re-studied and reconsidered. Nor, in particular, can I agree that such reconsideration should extend to a comparison with projects such as Northern Line re-signalling, which is in no sense an alternative to Crossrail

either in scale or purpose. If it satisfies the usual appraisal tests I would expect LUL to accommodate such expenditure within their investment programme in due course, without any special ring-fencing provision.

All in all, I suggest that for the immediate future, we should see how David Lidington's motion progresses. If it is successful, we should let recommittal proceed. If it fails, then we have either the hybrid Bill or the TWA options open to us, and I believe we should pursue them. A hybrid Bill would seem to me on balance the preferable course, in line with your previous decision.

I am copying this minute to the Chancellor of the Exchequer, the President of the Board of Trade, the Lord Privy Seal, the Lord President, the Secretary of State for the Environment, the Chief Whip and Sir Robin Butler.

JM

10 DOWNING STREET
LONDON SW1A 2AA

CABINET OFFICE
A 9148
15 JUN 1994
FILING INSTRUCTIONS
FILE No. R14/7

101

From the Private Secretary

14 June 1994

Dear Steve,

c- Mrs Lomax

CROSSRAIL BILL

The Prime Minister has seen Paul Coby's letter to me of 6 June on the present position on the Crossrail Bill. He has also seen the Chancellor's letter of 13 June to your Secretary of State.

The Prime Minister has asked for an assessment of the options on Crossrail, which are consistent with the Government's announced commitment to the project, and your Secretary of State's recommendation on the way forward. The assessment should be agreed with the Business Managers.

On the proposed motion for recommittal of the Crossrail Bill by Mr David Lidington, the Prime Minister is not clear whether it has much prospect of success, what steps are involved (for instance, could it be blocked on the objection of a single Member?), and what is the preferred timing from the Government's point of view. Is your Secretary of State in touch with Mr Lidington on the timing? What are the chances of persuading Mr Purchase to change his position?

The Prime Minister would be grateful for your Secretary of State's assessment as soon as possible this week.

I am copying this letter to Nick Macpherson (HM Treasury), Peter Smith (Department of Trade and Industry), Joan Bailey (Lord Privy Seal's Office), Dugald Sandeman (Lord President's Office), Alan Riddell (Department of the Environment), Murdo Maclean (Chief Whip's Office) and to Melanie Leech (Cabinet Office).

Yours,
Mary.

MRS. MARY FRANCIS

S Allen Esq
Department of Transport

chex.u1/docs2/107 RESTRICTED - POLICY, COMMERCIAL Sir Robin Butler

R

Treasury Chambers, Parliament Street, London, SW1P 3AG
071-270 5000

CABINET OFFICE
A 9179
15 JUN 1994
FILING INSTRUCTIONS
FILE No. R14/7

15 June 1994

Rt Hon John MacGregor OBE MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB

C-MVS homex

Dear John,

CROSSRAIL

I have seen Mary Francis's letter of yesterday. I have two comments.

First, I think it is vital that any paper or further work should assess the alternative options (the best five identified by Bovis Gibb, but I expect there to be others as well) for achieving the benefits associated with the Crossrail project. We should also compare these benefits with completely different projects such as, say, resignalling the Northern Line. Although expenditure of this order would, like Crossrail, have to wait until after completion of the Jubilee Line Extension, it may prove better value than a new line.

As a result of the Committee's rejection of the Bill, we have a unique opportunity to take a long hard look at our options, which we would be foolish to pass up. I am also conscious that any commitments to public expenditure should be fully justifiable to the tax payer.

My second point, is that, for this reason, it is vital that the Treasury should be fully involved in the work.

I am copying this letter to the recipients of yours.

Yours ever,

KENNETH CLARKE

CONFIDENTIAL - POLICY

R

Government Chief Whip
12 Downing Street, London SW1A 2AA

99

From the Private Secretary

CABINET OFFICE
A 9216
15 JUN 1994
FILING INSTRUCTIONS
FILE No. R14/7

15 June 1994

Dear Mary,

C - Mrs Lomax
C McBird

CROSSRAIL BILL: RECOMMITTAL MOTION

You wrote to Steve Allen yesterday about the Crossrail Bill and the proposed motion for recommittal. I thought it might be helpful to set out some of the procedural considerations which such a motion would entail.

Recommittal motions have, in the past, been of three main types - a motion to recommit so that the Committee can give reasons for their decision (this does not affect the decision itself); a motion to recommit for the Committee to reconsider their decision; and a motion to recommit to the Committee of Selection with an Instruction that the Committee of Selection refer the Bill to a new Committee.

It should be emphasised that all such motions are most unusual and "require a strong case to be made out for ... adoption" (May p 912). Any motion for the recommittal of the Crossrail Bill to the Committee could be tabled in the Private Bill Office for unopposed private business at 2.30 pm. The motion could be objected to by any Member, including the Chairman of Ways and Means. If the motion is objected to, the Member tabling the motion could put it down for another day. If objections continue at the time for unopposed private business, it would ultimately be for the Chairman of Ways and Means, should he see fit, to direct that the motion be set down for debate during time allocated for opposed private business. Any Member considering such a course of action should therefore discuss the matter in advance with the Chairman of Ways and Means.

In that the Crossrail Bill is a private bill, the second reading was not an endorsement of the principle of the Bill. The Committee decided that the Preamble had not been proved. It is difficult to envisage circumstances in which the Committee could be instructed to reconsider their decision on the basis of the same evidence. Any new Committee would have to consider all the evidence on the principle of the Bill afresh.

continued over ....

I am copying this letter to Nick Macpherson (HM Treasury), Peter Smith (Department of Trade and Industry), Joan Bailey (Lord Privy Seal's Office), Dugald Sandeman (Lord President's Office), Alan Riddell (Department of the Environment), Steve Allen (Department of Transport) and to Melanie Leech (Cabinet Office).

Yours,

Murdo

MURDO MACLEAN

Mrs Mary Francis
10 Downing Street
London SW1

Sir Robin Byatt

CONFIDENTIAL - POLICY

CABINET OFFICE
A 9102
14 JUN 1994
FILING INSTRUCTIONS
FILE No. R1A/7

98

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

c Mr Lomax
c: Mr Bird

14 June 1994

Dear Steve,

CROSSRAIL BILL

The Prime Minister has seen Paul Coby's letter to me of 6 June on the present position on the Crossrail Bill. He has also seen the Chancellor's letter of 13 June to your Secretary of State.

The Prime Minister has asked for an assessment of the options on Crossrail, which are consistent with the Government's announced commitment to the project, and your Secretary of State's recommendation on the way forward. The assessment should be agreed with the Business Managers.

On the proposed motion for recommittal of the Crossrail Bill by Mr David Lidington, the Prime Minister is not clear whether it has much prospect of success, what steps are involved (for instance, could it be blocked on the objection of a single Member?), and what is the preferred timing from the Government's point of view. Is your Secretary of State in touch with Mr Lidington on the timing? What are the chances of persuading Mr Purchase to change his position?

The Prime Minister would be grateful for your Secretary of State's assessment as soon as possible this week.

I am copying this letter to Nick Macpherson (HM Treasury), Peter Smith (Department of Trade and Industry), Joan Bailey (Lord Privy Seal's Office), Dugald Sandeman (Lord President's Office), Alan Riddell (Department of the Environment), Murdo Maclean (Chief Whip's Office) and to Melanie Leech (Cabinet Office).

Yours,
Mary

MRS. MARY FRANCIS

S Allen Esq
Department of Transport

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Sir Robin Butler
HSBC

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97

13 June 1994

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

Dear Secretary of State,

C-Mrs Lomax

CROSSRAIL

Thank you for your letter of 10 June.

I would not support any letter or motion proposing recommital of the Bill. Nor, I believe, should any member of the Government. I am very concerned that the Promoters' recent undertaking about a link with CTRL already threatens both to sabotage our competition for CTRL and to cost us an extra £200m. However, the Government may make clear its position regarding the exercise of powers to build a link - and I agree a PQ in the terms attached to your letter (with the additional sentence marked) - should be arranged without delay. I am afraid that it is clear from David Lidington's letter that the **expectation that the link will be built** remains an **essential part** of the recommittal strategy.

If David Lidington does put down a motion for recommittal, we must make clear that there is no Government support for this. We cannot have, as your latest letter suggests, individual Ministers deciding whether or not to support such a motion. That would make the Government appear hopelessly divided.

In my opinion, it would be better if no motion were put down in the first place. I suggest that we rapidly apply the means at our disposal to achieve this.

I repeat my view that the only sensible course, following the Committee's decision, is to stand back from Crossrail and think seriously about better options for achieving our objectives, including the proposals made by Bovis/Gibb at the end of last year. We have been presented with a fortunate opportunity of disengaging with honour and without blame from an expensive mistake. I detect an increasing reluctance on the part of taxpayers to pay for such follies de grandeur in future.

I am copying to the Prime Minister, Michael Heseltine, Tony Newton, John Gummer, Richard Ryder and Sir Robin Butler.

Yours

PP

KENNETH CLARKE

(Agreed by the Chancellor and signed in his absence)

Question from [David Lidington MP?]

To ask the Secretary of State for Transport whether he will approve the deposit of an additional provision authorising the construction of links from Crossrail to the Heathrow Express at Paddington and to the proposed Channel Tunnel Rail Link at Stratford.

It will be for the promoters of the Crossrail Bill to make practical proposals to meet the concerns expressed by the Petitioners and some members of the Committee, and I am content that they should do so. I have written to Sir Wilfrid Newton to make it clear that the exercise of any powers in relation to a link between Crossrail and the Channel Tunnel Rail Link would be a matter for the private sector partners in the Crossrail joint venture and in the CTRL to determine in due course in the light of their commercial judgement, and at their expense. But **no undertakings can be given by the promoters of the Bill, to the Committee or to anyone else, that these powers will be used.** The same considerations apply to links with Heathrow Express.



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref: 96

The Rt Hon Kenneth Clarke QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

CABINET OFFICE
A 8922
10 JUN 1994
FILING INSTRUCTIONS
FILE No. R14/7

10 JUN 1994

c- Mr. Bird

Dear Chancellor,

CROSSRAIL

Your letter of 6 June crossed with one from my Private Secretary to Mary Francis explaining where matters stand with regard to the possible recommittal of the Private Bill. We have now received a draft of the letter which David Lidington proposes to write inviting other members to support his motion, and I attach a copy.

The letter and the motion appear to be in terms which we could all support, and if you see no objection I would propose to support the motion myself when invited to do so. I hope you and other Ministers who have expressed support for Crossrail in the past may feel able to do the same.

You suggest in your letter that I should also put on record the statement of the Government's position set out in my letter of 23 May to Sir Wilfrid Newton. I think that the best way of dealing with the substantial point would be to arrange for a question to be put down and answered in the attached terms as soon as possible after the House returns, and at all events before members have to decide whether to support David Lidington's motion.

I am copying this letter to the Prime Minister and Sir Robin Butler.

Yours sincerely,
S. D. Allen

JOHN MACGREGOR

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

Question from [David Lidington MP?]

To ask the Secretary of State for Transport whether he will approve the deposit of an additional provision authorising the construction of links from Crossrail to the Heathrow Express at Paddington and to the proposed Channel Tunnel Rail Link at Stratford.

It will be for the promoters of the Crossrail Bill to make practical proposals to meet the concerns expressed by the Petitioners and some members of the Committee, and I am content that they should do so. I have written to Sir Wilfrid Newton to make it clear that the exercise of any powers in relation to a link between Crossrail and the Channel Tunnel Rail Link will be a matter for the private sector partners in the Crossrail joint venture and in the CTRL to determine in due course in the light of their commercial judgement, and at their expense. The same considerations apply to links with Heathrow Express.

DRAFT - LETTER TO ALL CONSERVATIVE MPs

Name,
House of Commons,
London,
SW1A 0AA.

CrossRail

As you will be aware, on Tuesday 10th May, the Committee considering the CrossRail Bill decided against its principle by a majority of 3 to 1.

I, together with the Bill's promoters, am profoundly disappointed that it did not find favour with the Committee, not least because of the support the project has elicited from all sides of the House. Despite this setback, however, commitment to the Bill remains, and was reiterated by the Prime Minister, in response to a Question from me, on 17th May when he stated,

> "We have consistently made clear our commitment to the project and I am pleased to tell the House that that commitment remains." (Hansard, 17th May, Col. 669)

I am conscious that some of the Committee members had concerns about specific aspects of the Bill, notably with regard to links between CrossRail and the Channel Tunnel Rail Link and the Heathrow Express. The promoters have, however, indicated to me that they are anxious to address these concerns. It is my understanding that, if confusion over these two issues were resolved, a majority of the Committee would find in the Bill's favour.

Some reports in the press, following the Committee's announcement, have suggested that the project could still get Parliamentary approval by way of other procedures. Anything other than recommittal to a Private Bill Committee would delay yet again this vital project by a further two or three years and, after taking advice, it is my view that recommittal of the Bill is far and away the best option open to us.

In view of this situation, I am proposing to table the attached Motion which, if passed, would ensure that the Bill would be recommitted. I believe very strongly that such an outcome would be of enormous benefit and would therefore be extremely grateful if you felt able to sign it and return it to me.

Please let me know if you would like any further information.

David Lidington, MP.

CROSSRAIL BILL

That the Crossrail Bill be recommitted to the former committee.

That it be an instruction to the committee to reconsider their decision on the preamble of the Bill as reported by them to the House.

Sir Robin Butler

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

95

Mrs Mary Francis
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

CABINET OFFICE
A 8662...
- 6 JUN 1994
FILING INSTRUCTIONS
FILE No. R14/7

06 JUN 1994

C Hw Bird

Dear Mary

CROSSRAIL BILL

I undertook to let you have a note on the present position on the Crossrail Bill.

As you know, the Commons Committee chaired by Mr Marlow has reported against the principle of the Bill, saying that the preamble was not proved to its satisfaction. This report was formally submitted on 11 May. Since then the possibility of recommittal has been investigated; it was in that context that the Bill's promoters wrote to the Chairman of Ways and Means offering to put into the Bill provision for a new link from Crossrail to the Channel Tunnel Rail Link and an enhanced link to Heathrow Express. They did so (without any offer of public finance) because it was understood that provision for such links had been a particular source of concern to the Committee. However, the Chairman of Ways and Means replied that he was not convinced that he could properly allow a recommittal motion, should one be tabled.

That is where matters stand on recommittal for the time being, now that the House is in Recess. However the possibility of recommittal is not wholly ruled out, because we understand that Mr David Lidington, the Conservative MP sponsoring the Bill, has it in mind to table a motion for recommittal, and seek support for it from all sides of the House. We understand that Mr Lidington would pursue this immediately after the Recess.

The intention of such a motion would be to seek to persuade the Chairman of Ways and Means, by the volume of support, that a recommittal motion should be selected, and (if it were objected to) time found for it to be debated. It might be that if such a debate were held, a recommittal motion would be passed. But of course recommittal would be in vain if neither Mr Marlow nor Mr Purchase (the Labour member of the Committee understood still to be opposed to the Bill) could be persuaded either to join Dr Marek and Mr Banks in supporting the principle of the Bill, or to resign from the Committee. Much might depend on the powers of persuasion of the Opposition Front Bench over Mr Purchase.

We understand that any motion tabled by Mr Lidington might be on the following lines:

- That the Crossrail Bill be recommitted to the former Committee.

- That it be an instruction to the Committee to reconsider their decision on the preamble of the Bill as reported by them to the House.

We understand that Mr Lidington also envisages circulating the motion to back bench colleagues under a covering letter seeking support for it.

If recommittal should not take place for any reason, we shall need to review how best to proceed. The clear presumption based on your letter of 19 May 1993 is that we should proceed by means of a hybrid Bill, which is the firm view of my Secretary of State. But he would write to colleagues reviewing all the options.

I am sending copies of this letter to the Private Secretaries to the Chancellor, the Secretary of State for Trade and Industry, the Lord President, the Secretary of State for the Environment, the Chief Secretary to the Treasury, the Chief Whip, and Sir Robin Butler.

Yours sincerely

Paul Coby

PAUL COBY
Private Secretary

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Sir Robin Butler

Treasury Chambers, Parliament Street, London, SW1P 3AG
071-270 5000

6 June 1994

Rt Hon John MacGregor OBE MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB

CABINET OFFICE
A 8671
- 6 JUN 1994
FILING INSTRUCTIONS
FILE No. R14/7

C- Mrs Lomax

Dear John,

CROSSRAIL

Thank you for your letter of 24 May.

I understand that Michael Morris has now written to the Promoters rejecting their proposal for recommittal. I would be grateful to know where this leaves matters. Can I take it that before there is any further action on Crossrail you will consult colleagues in the usual way?

I was interested to read your comments on my note to the Prime Minister of 17 May. I hold firm to my view that the only sensible course is now to stand back from Crossrail and think seriously about quicker and cheaper options for achieving our objectives, including the Bovis/Gibb proposals. This view is, if anything, strengthened by Michael Morris's decision.

I was also interested to read your recent letter to Sir Wilfrid Newton. It seems to me that this statement of the Government's position needs to be put on record. I suggest an arranged PQ, perhaps with a copy to Michael Morris.

I am copying this letter to the Prime Minister and Sir Robin Butler.

Yours ever,

KENNETH CLARKE

Sir Robin Butler

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CABINET OFFICE
A 8047
23 MAY 1994
FILING INSTRUCTIONS
FILE No. R14/7

93W

Treasury Chambers, Parliament Street, London, SW1P 3AG
071-270 5000

23 May 1994

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

C. MJ Lomax
Mr Bird

Dear John.

CROSSRAIL

I understand that you have approved the issue of a letter from the promoters of the Crossrail Bill to the Chairman of Ways and Means. This letter is to give a binding undertaking that, if the Bill is recommitted, the promoters will bring forward a provision authorising construction of a link between Crossrail and CTRL.

If this letter has not been issued it should not be sent without proper consultation first with interested colleagues, including myself. If it has been sent already, I think it should be withdrawn immediately. This commitment was not agreed, or even discussed, with me. Yet it has major implications both for Government finances and for the private finance initiative.

The link would cost £200 million. We have advice that it is not justified on economic or commercial grounds. The CTRL has been designed without it, and the prospect of the link will have a major adverse impact on the competition for CTRL.

You will have seen my note to the Prime Minister of 17 May which made clear my view that we should avoid hurried decisions and instead consider seriously the best means of improving transport in London.

I am copying this letter to the Prime Minister and to Sir Robin Butler.

KENNETH CLARKE

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Sir Robin Butler

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POLICY 93

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

CABINET OFFICE
A 7798
18 MAY 1994
FILING INSTRUCTIONS
FILE No. R14/7

PRIME MINISTER

CROSSRAIL

C. Mrs Lomax

We need to decide on a way forward.

I know there is pressure to recommit the original Crossrail Bill, and to persuade the Committee to change its mind. I gather it is not clear that this is procedurally possible. But, more to the point, I think it would be the wrong course for us to take, on any rational political or practical grounds.

The Private Bill attracted more objectors than any other Private Bill in modern times. The objectors incurred considerable cost in presenting their case and they are entitled to believe that they won their case by convincing the Committee that the costs would outweigh any economic benefits from this scheme. We must do them the courtesy of considering their arguments, which I continue to believe have great weight. The Government recently carried the Transport and Works Act 1991 which was designed to replace the obsolete Private Bill procedure and take these matters to a Public Inquiry in future. It would be cynical in the extreme to ignore our own legislation and to try to use the Whips to drive the matter through without further regard to the objectors' interests. But before we do anything, we should also take the opportunity to

think through again our strategy for improving transport in London. The work commissioned by John MacGregor at the end of last year from Bovis/Gibb showed that there <u>are</u> alternatives to Crossrail which would:

- achieve many of the same objectives, particularly a direct link from Heathrow to the City;

- do so more quickly, and at a fraction of the cost;

- <u>and</u> be more attractive to private finance.

When we discussed Crossrail in January, it was agreed that the Bovis/Gibb options would need six months work to establish exactly which ones could be progressed.

The Bill Committee's decision has given us the opportunity to do that work. This means we could develop alternatives which could deliver real progress in a fraction of the time needed for Crossrail, and with a fraction of the financial resources.

Recommitting the Bill, even if it could be achieved, would mean deferring benefits for London until, at the earliest, some time next decade. I advise strongly against attempting it.

I also think that, while we consider the options, we need to exercise great care in what we say about the future of the existing project. It cannot be wise to raise expectations about the future of the Bill when we do not know what we can or want to achieve. The only way through that I see until we have a decision is for colleagues to stick very closely to the wording discussed and agreed on 10 May.

I am copying this minute to John MacGregor and to Sir Robin Butler.

[K.C.]

17 May 1994

Sir Robin Butler
RCSB

CONFIDENTIAL

MINISTRY OF DEFENCE
WHITEHALL LONDON SW1A 2HB
Telephone 071-21 82111/2/3

SECRETARY OF STATE

CABINET OFFICE
A 6651
28 APR 1994
FILING INSTRUCTIONS
FILE No. R14/7

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27 April 1994

c. Mrs Lomax

Dear John.

CHANNEL TUNNEL RAIL LINK - ASHFORD

Thank you for sending to me a copy of your letter to John Gummer of 26th April about your proposed announcement of the route for the new rail link at Ashford and Pepper Hill.

As you acknowledge, your preferred Central Route at Ashford will cause considerable disruption to Ministry of Defence units just outside Ashford, particularly the special facilities at Templar Barracks which have demanding requirements for a quiet environment. It would of course be unacceptable for the Ministry of Defence not to be compensated properly for the extra costs that the railway will bring; the defence budget should not subsidise the Union Railway enterprise. At a time when such great public interest is focusing on the economies we are having to make on defence expenditure, such a position would be quite indefensible politically.

I know that Robert Cranborne and Roger Freeman have discussed this issue. While the Ministry of Defence will be prepared to

The Rt Hon John MacGregor OBE MP
Secretary of State for Transport

Recycled Paper

undertake the initial negotiations with Union Railways, final decisions on the level of compensation necessary will have to be endorsed by Ministers in both of our Departments.

The next step in this respect must be to bring together quickly the two negotiating sides, with their technical experts, to seek an equitable solution. On the understanding that arrangements will be made to ensure that reasonable costs incurred by MOD will be reimbursed, I am content to agree your proposals to announce tomorrow the new Central Route.

I am copying this letter to the Prime Minister, members of EDI, Peter Brooke and to Sir Robin Butler.

Malcolm Rifkind

CONFIDENTIAL : POLICY

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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

CABINET OFFICE
A 6531
26 APR 1994
FILING INSTRUCTIONS
FILE No. R14/7

The Rt Hon John Gummer MP
Secretary of State for the Environment
2 Marsham Street
LONDON
SW1P 3EB

26 APR 1994

C- Mrs Lomax

NEW CHANNEL TUNNEL RAIL LINK - ROUTES AT ASHFORD AND PEPPER HILL

In my statement of 24 January on the route of the new Channel Tunnel Rail Link, I left open two sections for further study and consultation - at Ashford and Pepper Hill - with the aim of announcing decisions within three months.

After an intensive period of study and consultation Union Railways have reported. Copies of their reports have been discussed with your officials. You will recall that the bored tunnel under Pepper Hill and a Northern alignment at Ashford proved deeply unpopular in the public consultation last year. Happily an alternative has been produced for each location that is no more expensive, is environmentally acceptable and has won wide support locally: a cut and cover tunnel under the A2 skirting the Pepper Hill estate; and at Ashford what is known as the Central route. I propose to announce on Thursday 25 April that I shall safeguard these two alignments.

Pepper Hill

A decision to choose the cut and cover under the A2 at Pepper Hill does not have any complications. It can be engineered at less cost and risk than the shallow bored tunnel under the housing estate. It is environmentally preferable and is strongly supported by the local Member of Parliament, Jacques Arnold, the local authorities and local residents. A viaduct around the estate is a further option, but has no support locally. A fuller analysis by my officials is attached.

Ashford

Of the three options at Ashford, the Southern route is unacceptable on environmental grounds. The choice is between the Northern route and Central route. The costs are similar, but the revenue benefits of the Central route are significantly higher. Union Railways see the Northern route as marginally preferred on environmental grounds, but this is very much not the local perception. The locals also believe that the Northern route would undermine Ashford International Passenger Station. The local Member, Sir Keith Speed, and the local authorities at Ashford and elsewhere in Kent very strongly support the Central route. Again, a fuller analysis by my officials is attached.

The Central route has two complications: its impacts on the MoD military estate at Ashford and on commercial premises, notably the Rimmel plant. There has been no suggestion by MoD that a route through the military estate is unacceptable; the issue is the level of compensation for the disturbance. Negotiations will continue after my announcement; but it is extremely important to treat MOD in exactly the same way as any private landowner or commercial business along the route. It is most unlikely that the settlement would approach a level that might affect the choice of route.

The problem of Rimmel, a cosmetics firm owned by Unilever, requires sensitive handling. There were initially risks of 450 job losses. However, Rimmel are now interested in moving to a site in Ashford where they can construct a better plant and have more room for expansion. The remaining issue, essentially the level of compensation, is close to resolution.

Our officials have agreed the decisions that I intend to announce on Thursday. There are no local elections in either Ashford or Pepper Hill.

I am copying this letter to the Prime Minister, members of EDI, Malcolm Rifkind, Peter Brooke, and Sir Robin Butler.

Yours ever,

JOHN MACGREGOR

ANALYSIS BY DOT OFFICIALS OF THE PEPPER HILL ROUTE OPTIONS

In January it was decided to rule out the expensive and risky option of a tunnel under the electricity switching station, but to consider further two alternatives to the original route for consultation which runs in bored tunnel under the Pepper Hill housing estate (option 222). The alternatives are on the same alignment skirting the estate: one is on a viaduct (225) and the other in cut and cover under the A2 (227).

Both of the alternative routes are cheaper than the original route for consultation: by £4m for the cut and cover and £10m for the viaduct. The alternatives also have a little less construction risk, with the viaduct slightly the better of the two. Unlike the tunnel under the estate, the two routes around the estate would cause major disruption of the A2 during construction. The cost of this to users is estimated to be £3.5m for the cut and cover and £6.3m for the viaduct. Engineering solutions have been developed to allow for a minimum of three narrow lanes in each direction to be maintained throughout construction, though careful staging would be necessary, and to allow for future widening of the A2 to dual four lanes.

Neither of the alternatives would allow for a station at the southern site in the Ebbsfleet Valley, but this is not material to the choice as the northern site has been adopted as Ebbsfleet's candidate in the competition for an international station.

The environmental impact of all options is acceptable and no worse than elsewhere along the route. There is a clear environmental preference for the alternative routes because the shallow tunnel of the original route would generate ground borne noise to homes and cause settlement, and also would significantly affect development plans for the area. The viaduct is slightly preferred over the cut and cover because of a greater risk of archaeological finds in the Springhead Roman Town, which outweighs the greater impact on a small number of properties and visual intrusion.

There has been virtual unanimity of view in the consultation: complete opposition to the tunnel under the estate and of the other two options a very strong preference for the cut and cover around the estate because of the visual intrusion of a viaduct and the (largely unfounded) fears about operational noise.

Conclusion: *The further study has produced workable alternatives to the tunnel under the estate which are fractionally less expensive, less risky and environmentally preferable. Objectively there is little to choose between the cut and cover and viaduct around the estate. But given the strong public preference for the cut and cover, it would be difficult to justify choosing any other option.*

ANALYSIS BY DOT OFFICIALS OF THE ASHFORD ROUTE OPTIONS

In January it was decided to rule out the route through the centre of Ashford which had a long bored tunnel. In addition to the route for consultation (the Northern route), the instruction was to consider a route that runs through the town, as suggested by Ashford Borough Council (the Southern route). Union Railways suggested a further option through the town (the Central route).

The estimated costs are broadly similar: Northern £220m, Central £226m and Southern £249m (although Ashford BC consider this one to be over-estimated by £20m). The Southern and Central routes generate additional revenues of £40-45m NPV compared with the Northern route because the journey times would be reduced for the trains that stop at Ashford International Passenger Station and commuter services. If a future generation of international trains were built to continental gauge, providing access to Ashford IPS would cost £18m for the Central and Southern routes options compared with £30m for the Northern option, but this is not a major consideration. The Central route is best in engineering in terms, including being the easiest to construct.

All of the route options have significant environmental impacts. The Southern route requires 37 residential demolitions which is five times the total for the rest of the route put together. This is assessed as a Major concern, but elsewhere this impact would have been regarded as a "route stopper". The Central route requires 21 residential demolitions which is a substantial number and is assessed as a mixture of High Moderate and Low Moderate concerns. The Northern route demolishes 5 homes and produces noise effects for far fewer homes than either of the other options.

In terms of impact on commercial property, the Central route displaces 1000 jobs (nearly half of these at Rimmel) with the risk that some may be lost if the employers choose not to relocate in the town. If Rimmel take the opportunity to relocate in Ashford, as now appears likely, only 50 of these jobs will be at risk. The Southern route displaces 400 jobs and the Northern route a maximum of 50 jobs. The Northern route affects the Eureka Science Park and opinions differ on how this might affect the number and speed of jobs created; Pieda's view is that Eureka is not jeopardised. The Central and Southern routes are preferable in terms of impact on development sites. The extent to which a route through the IPS might enhance the potential for attracting development is an important issue, but with more than one view possible.

The Central route would affect significantly the Rowcroft and Templer Barracks. Rowcroft is more seriously affected, but activity there may be scaled down in any case and if not replacement facilities can be provided on the site. Templer is less affected, but the impact is more serious as this is an important establishment with no plans to move. MoD's bid for compensation is beyond that allowed for in the comparison of route options, but the amount that can be justified is unlikely to affect the choice of route.

In total the environmental impacts are: Northern - 4 High Moderate and 6 Low Moderate; Central - 8 HM and 8 LM; and Southern - 1 Major (property demolition), 9 HM and 10 LM. These are quite substantial levels of impact. Overall the Northern route is marginally preferred to the Central route, which is clearly preferred to the Southern route. The key differences between the two better options are as follows: the Northern route impacts on the AONB, takes more high quality agricultural land and has an intrusive complex junction at Westwell Leacon; the Central route requires more residential demolitions and land take, it has more effects on historic buildings and there is a greater risk of job displacement.

Sir Keith Speed and Ashford Borough Council (all parties), supported by Kent County Council and other councils strongly favour the Central route (with the Southern route being the second preference of Ashford BC). The reasons are first of all that a route through the town is seen as essential support for the IPS to act as a focus for development, and secondly the view in Ashford is that the northern route is not acceptable because of the environmental impact on people. From others there is strong opposition to the Southern and Northern routes, but not too much to the Central route except from some of the affected businesses and homes. Ashford BC have lobbied hard and their view of the development advantages of the Central route seems to have been largely accepted locally and in Kent and Sussex. English Heritage prefer the Northern route and advise strongly against adopting the Southern route.

Conclusion: *It would be difficult to justify the significantly greater environmental impact of the Southern route given that there are alternatives which are not inferior on cost and other grounds (though Ashford BC would dispute this). The choice is effectively between the Central and Northern routes. The perception of the impact on people of the Northern route is severe, although exaggerated, and is probably now ingrained. The perception of the impact on people of the Central route is less severe, although objectively it is worse, and opinion locally in favour of the route may well keep perceptions in check. Given that the environmental disadvantages of the Central route compared with the Northern route are marginal overall, that (assuming Rimmel relocate in Ashford) the difference in jobs at risk is less than 20, and that the costs/benefits slightly favour the Central route, it would be difficult to sustain a decision against the clear, all party opinion in Kent that the Central route is essential to attract development to Ashford for the economic benefit of the town and East Kent.*

CABINET OFFICE
A 5602
11 APR 1994
FILING INSTRUCTIONS
FILE No. R147
FOLIO 935

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

8 April 1994

C. Mr Lever
Mr Fitchew

Dear Dickie,

INAUGURATION OF CHANNEL TUNNEL, 6 MAY

Thank you for your letter of 25 March about arrangements for the inauguration of the Channel Tunnel. I understand from Buckingham Palace that HM The Queen has now agreed to the original plan, involving inauguration of the Waterloo Terminal at 0930, travel through the Tunnel by Eurostar to Calais, the ceremonies at Coquelle, and returning by car on the shuttle to Cheriton. Events there would end at about 1615. I believe that Sir Kenneth Scott has been liaising directly with West European Department on the detailed programme. I would be grateful if we could see the revised version next week, as we would need to consult the Prime Minister on his involvement.

As we agreed, it would be helpful to have an inter-departmental meeting to draw the various strings together before the second recce on 19 April. Alex Allan would be happy to chair this. I have spoken to WED, and agreed that we might aim for Monday 18 April at 1615, probably in the Foreign Office, as it looks as if we might have difficulty finding a meeting room here on that day. WED have agreed to draw up a list of participants, from the FCO, Department of Transport and Buckingham Palace. They are giving some thought to whether a representative of Euro Tunnel might be invited. On our side, besides Alex Allan and myself, Christine Laidlaw from our press office and one of our security officers should be invited.

In addition to the programme details, press arrangements and the format of ceremony at the French end, the meeting might cover:

- participation, in particular Ministerial participation on our side;
- how large a party we should take over to France;
- who should travel with whom on the way back, and the opportunities for bilaterals;

- the arrangments at Cheriton.

WED have kindly agreed to draw up an agenda and send us relevant papers in advance.

I am sending copies of this letter to Paul Coby (Department of Transport), Joan MacNaughton (Home Office) and Melanie Leech (Cabinet Office).

Yours ever,
Philippa

MS PHILIPPA LESLIE-JONES

C R V Stagg Esq
Foreign and Commonwealth Office

RESTRICTED

FOLD 93 RM

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref: J/F/PSO/5112/94

Your ref:

28 MAR 1994

Miss Philippa Leslie-Jones
10 Downing Street
LONDON
SW1A 2AA

C. Mr Gould
Mr Fitchew

CABINET OFFICE
A 5140
29 MAR 1994
FILING INSTRUCTIONS
FILE No. R14/7

Dear Philippa

INAUGURATION OF CHANNEL TUNNEL, 6 MAY

Dickie Stagg copied to me his letter to you of 25 March about the core programme for the inauguration of the Channel Tunnel on 6 May. I am afraid that these arrangements still cause my Secretary of State some anxiety.

While we understand the difficulty of reconciling the wishes of all those involved, it is clearly in everyone's interests that media coverage of the events associated with the inauguration should be as full and as favourable as possible from the British point of view. My Secretary of State remains concerned that, if HM The Queen travels by air to Calais at the start of the day, unfavourable comparisons would be drawn with President Mitterrand's progress - punctuated, I understand, by ceremonies at each stage - from Paris to Lille and on to Coquelles. In addition, he shares British Rail's (BR) aspiration that the opening of Waterloo International should itself be seen as one of the major events in the day - as the French Paris Terminal will be for the French counterparts. It is inevitable that, if Her Majesty inaugurates the new terminal at the end of the day, it will be seen as an anti-climactic postscript. In addition, it will miss the lunch-time media coverage which would otherwise be most valuable in promoting the British side of the story. Moreover, as Dickie Stagg notes, under the present timetable the inauguration would take place at the height of the evening rush hour, which is from every viewpoint a serious drawback.

Since the focal point of the middle of the day will be the opening of the Tunnel itself, Eurotunnel are understandably anxious that Her Majesty and the French President should, as planned, travel together through the Tunnel on one of their shuttle trains. President Mitterrand's arrangements do not make it practicable for the two Heads of State to inaugurate Cheriton in the morning and then proceed by shuttle: I imagine that, in any case, there could be difficulties with the Elysee Palace in obtaining agreement to inauguration on this side before Coquelles.

RESTRICTED

It seems to us that it would, nevertheless, be possible to keep the core arrangements from Coquelles to Cheriton, with the inauguration of Waterloo International at the outset, with only a minor adjustment to the timetable. An earlier version of this provided for 30 minutes less between the arrival at Coquelles and lunch; and we understand from Eurotunnel that they believe that this period could be trimmed back by that amount (there is some slack built in to allow eg a tour of the Eurotunnel offices) without overall detriment to the ceremonies. If, therefore, Her Majesty were prepared to start her day rather earlier in the day and to travel through the tunnel by Eurostar and back by shuttle, we believe that the adjustment to the programme from lunch onwards need be no more than 10 minutes. The Queen would also finish her day appreciably earlier than planned at present. I attach as an annex to this letter a revised timetable showing how this might work.

I must stress that my Secretary of State does, of course, respect Her Majesty's wish to avoid going twice through the tunnel if possible. He is concerned, however, that the serious presentational difficulties, outlined in the second paragraph of this letter, which the arrangements as at present planned would cause, are generally understood. He hopes therefore that discussions between No 10 and the Palace may be possible, in order to throw further light on The Queen's wishes and her determination in this matter.

I am copying this letter to Dickie Stagg (FCO), Joan MacNaughton (Home Office) and Melanie Leech (Cabinet Office).

Yours sincerely

Paul Coby

PAUL COBY
Private Secretary

RESTRICTED

INAUGURATION OF THE CHANNEL TUNNEL, 6 MAY: POSSIBLE REVISED PROGRAMME FOR HM THE QUEEN

0940	Arrive at Waterloo and inaugurate new terminal
1013	Depart from Waterloo International by Eurostar
1255	Arrive at Coquelles for ceremonies
1340	Lunch
1450	Depart with President Mitterrand by shuttle
1430	Ceremonies at Cheriton
1520	Depart for Buckingham Palace

Note: All times are local

CABINET OFFICE
A 4994
25 MAR 1994
FILING INSTRUCTIONS
FILE No. R14/7

Foreign &
Commonwealth
Office

London SW1A 2AH

From The Secretary of State

93R

25 March 1994

C. Mr Lewe
Mr Fitche

Dear Philippa,

Inauguration of Channel Tunnel, 6 May

Thank you for your letter of 22 March asking about arrangements for the inauguration of the Channel Tunnel. These have gone through a number of transformations since Roderic Lyne wrote on 31 January. Arrangements are slightly complicated by the fact that Eurotunnel itself is responsible for much of the organisation (including the media - see below). But the core programme now looks as follows:

1015	HM The Queen's aircraft leaves London's City Airport (accompanied by the Prime Minister and the Foreign Secretary)
1155 (local)	HM The Queen and party arrive Calais
1215 (local)	Arrive at Coquelles for ceremonies (anthems, guard of honour, ribbon-cutting, site tour)
1330 (local)	Lunch
1440 (local)	Entire party crosses to Cheriton by shuttle, accompanied by President Mitterrand and his entourage
1420	Ceremonies at Cheriton (tour of sites, anthems, plaque unveiling)
1520	French party return to Paris
1525	The Queen travels to Waterloo by Eurostar
1645	Arrival at Waterloo and inauguration of new terminal.

These arrangements have been approved by Buckingham Palace and are satisfactory from the point of view of Eurotunnel. British Rail, however, are unhappy with the proposal to inaugurate the Waterloo Terminal at the end of the day (clearly this is not ideal, as it would coincide

with the Friday night rush-hour). They would also like HM The Queen to travel through the tunnel - at least in one direction - in their train (rather than in the Eurotunnel shuttle): I understand that She, however, is unwilling to travel through the tunnel twice.

It is impossible to reconcile to the satisfaction of all the competing bids with which we are confronted. Subject to the views of the Department of Transport, this package seems the best available. British Rail would have HM The Queen travelling from Cheriton to London on their train and then opening their terminal at Waterloo. If you and copy addressees agree, we will confirm these arrangements to the French before Easter.

In terms of the Prime Minister's involvement, the present proposal would involve him leaving London City Airport at 1015 with HM The Queen; accompanying her throughout the journey; and returning to Waterloo by 1645. It would be helpful to know if this is broadly acceptable.

Participation

On our side the main participants will be the Prime Minister, the Foreign Secretary, the Transport Secretary and the Home Secretary (the latter two will travel out to Calais by train). I understand that the President of the Board of Trade and the Secretary of State for the Environment have also expressed some interest in attending the ceremonies. The French will be represented by President Mitterrand, M. Balladur and their Foreign, Interior and Transport Ministers. In addition, the Belgian Prime Minister (but not their King) and the President of the European Commission will join the celebrations at the French end: we recommend that they should also be invited to join the party going through the Tunnel in the shuttle and attend the Cheriton events.

Speeches

On present plans The Queen and President Mitterrand will give short speeches at both Coquelles and Cheriton. There is no need for the Prime Minister to give a speech, although there will certainly be opportunities for media interviews.

Media

Arrangements for the media are in the hands of Eurotunnel. We should make this clear. But we will, nonetheless, need to take a very close interest. There is

to be a "media village" established in Cheriton with extensive facilities for television, media and the writing press. Pooling arrangements are in hand. There will be 7 outside broadcast units on this side of the Channel (ie at all key places on the itinerary). Facilities in France are likely to be less extensive.

We see great benefit in a short inter-departmental meeting in Number 10 to draw the threads together. This might most sensibly take place shortly after Easter (there is due to be a major reconnaissance visit on 30 March in which I gather Number 10 will be represented).

I am copying this letter to Paul Coby (DTp), Joan MacNaughton (Home Office) and Melanie Leech (Cabinet office).

Yours ever,

(C R V Stagg)
Private Secretary

Miss Philippa Leslie-Jones
10 Downing Street

RESTRICTED

cc Melanie Leech
C.O.

FOLIO 939

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

22 March 1994

CABINET OFFICE
A 4775
23 MAR 1994
FILING INSTRUCTIONS
FILE No. R14/7

c. Mr Fitchew
c. Mr Gould

Dear Dickie,

OFFICIAL OPENING OF THE CHANNEL TUNNEL ON 6 MAY

I believe the last correspondence on the Channel Tunnel opening rests with your letter of 21 January, and Roderic Lyne's letter of 31 January.

I should be grateful to know where matters now stand for the UK side of events. What are our plans for The Queen's inauguration of the Waterloo Station terminal and the opening ceremony and reception in Folkestone? We also need to think about arrangements (i.e. who travels with whom) for the journey to and from France.

It would be helpful to know how French plans are progressing. Have we been in touch with the Elyseé recently about this? I understand that they were due to put proposals on the opening ceremony to President Mitterrand in January. I note that the French expect speeches on their side. Do we envisage the Prime Minister making a speech there, or at one of the ceremonies at our end?

On participation, I believe that you and other departments were considering whether the UK delegation should include other Ministers, such as the Home Secretary or President of the Board of Trade, besides the Prime Minister, Foreign Secretary and Transport Secretary. Do we have a clearer idea of who will attend on the French side? There was also a question mark over the involvement of the King of Belgium. Has this been resolved?

RESTRICTED

I should be grateful to know how arrangements are being taken forward. An outline programme would be very useful. Do you think we need a meeting (à la D-day) of interested departments to discuss planning?

I am copying this letter to Paul Coby (Department of Transport), Joan MacNaughton (Home Office), Peter Smith (Department of Trade and Industry) and Melanie Leech (Cabinet Office).

Yours ever,
Philippa

MS PHILIPPA LESLIE-JONES

C.R.V. Stagg, Esq.,
Foreign and Commonwealth Office.

131/02/A

FOLIO 931

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

CABINET OFFICE
A 3385
- 1 MAR 1994
FILING INSTRUCTIONS
FILE No. R147

28 FEB 1994

CHANNEL TUNNEL RAIL LINK: M2

Thank you for your letter of 24 February.

I am grateful to you for setting out so fully the factors which have led you to conclude that M2 provisions should be included in the proposed Channel Tunnel Rail Link hybrid Bill and that the two projects should be constructed together. This will of course make it likely that the passage of the Bill takes longer than the 18 months forecast earlier by your Department although I note your own assessment that leaving out the M2 provisions could itself lead to significant delays. I am also advised that drafting the Bill is likely to take longer which may make it difficult to introduce the Bill at the start of next session. However from the business management view-point these are not insuperable objections. The Bill is bound to be longer than it would otherwise have been, and may therefore take more time, particularly in the House of Lords, although in my judgement not much more on the Floor in the Commons.

I am therefore content to rest on your judgement on what is the most appropriate way forward, subject to any views that Ken Clarke, Michael Heseltine and John Gummer may have. John Wakeham and Richard Ryder would also be content for M2 provisions to be included in the Bill.

As the legislative programme for next session has yet to be finalised you will wish to avoid any commitment to introducing legislation in the 1994/95 session in the pre-qualification documents.

I am copying this letter to Ken Clarke, Michael Heseltine, John Wakeham, John Gummer, Richard Ryder and Stephen Dorrell and to Sir Robin Butler.

Yours ever,
Tony

TONY NEWTON

The Rt Hon John MacGregor OBE MP
Secretary of State for Transport
2 Marsham Street
London SW1P 3EB

fst.dp/fst/7.28.2 **POLICY IN CONFIDENCE**







Treasury Chambers, Parliament Street SW1P 3AG

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

Regist

28th FEBRUARY 1994.

Mrs Lomax

Dear John

CTRL: M2

Thank you for sending me a copy of your letter to Tony Newton of 24 February.

I recognise the difficulties you face, with proposals for two major infrastructure projects affecting very much the same area.

Including the whole M2 project will of course expose us to risks. As you say, the competition for CTRL will be made more complex and difficult. There will also inevitably be problems ensuring good value for money on the contract for the roadworks, given that we will have no choice but to award this to the promoter of CTRL if the two projects are to be done as you suggest.

I do wonder, therefore, whether there might be ways of reducing these difficulties while minimising the risks to the competition and value for money - perhaps by limiting the scope of the roadworks given to the promoter ? If so, I think this would be worth looking at. If not, I am content for you to proceed as you propose.

I am copying this letter to Tony Newton and to the recipients of yours.

Yours

Stephen

STEPHEN DORRELL

POLICY IN CONFIDENCE

FOLIO 93M

SECRETARY OF STATE FOR TRANSPORT

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref: J/PSO/2144/94

Your ref:

CABINET OFFICE
A 3106
25 FEB 1994
FILING INSTRUCTIONS
FILE No. R14/7

The Rt Hon Tony Newton OBE MP
Lord President of the Council
Privy Council Office
68 Whitehall
LONDON
SW1A 2AT

Mrs Lomax

24 FEB 1994

Dear Tony,

CHANNEL TUNNEL RAIL LINK: M2

Thank you for your letter of 8 February. I was also grateful for Stephen Dorrell's of the same date.

I have looked again at the implications of including the M2 widening scheme in the CTRL Bill and have discussed the points you make with Roger Freeman and Robert Key. We take both your points. Including M2 in the Bill is likely to be opposed by the anti-roads lobby; it will also increase the pressure on us for simultaneous construction of both projects. However, we will face very serious opposition from the local MPs, local authorities and residents if we leave M2 out of the Bill and my judgement is that this will be even more difficult to handle. I have concluded that our best prospect of securing the Bill with least difficulty is to put M2 into the Bill on the basis that the two projects will be constructed together. This will mean putting M2 into the CTRL competition.

The M2 scheme and CTRL run very close together in the same corridor, in several places with overlapping land and construction requirements. This not only applies at the Medway Bridges, but also at Cobham Junction on the A2/M2 and at M2 Junction 2. Separate construction would create extensive traffic disruption and require repetitive and costly reworking. The interface between the two proposals is so close that if M2 was not included in the Bill we should still have to prepare the Environmental Statement (ES) for CTRL so as to detail the joint impact, and conversely the ES for the M2 scheme would have to take account of the CTRL. We must expect the M2 proposals to come under scrutiny by the Select Committee anyway. Also, the local MPs, local authorities and others will be looking for a fully integrated design, and it will be easier to demonstrate this if the statutory authority for both projects is sought together.

Construction of CTRL will inevitably be very disruptive to those living nearby, particularly around the river crossing. The heavy civil engineering work will take at least three years, followed by two further years of track laying and fitting out. The prospect of being subjected to a further three years of noise and construction traffic while M2 is constructed is at the heart of the local concern. Understandably the local people want to see the heavy civil engineering work on both projects undertaken at the same time. They will press for this whether M2 is in the Bill or not and in my judgement they will attract at least as much sympathy and have at least as much potential to cause more delay to the passage of the Bill than will the more general concerns of the anti-roads lobby (though from different quarters).

There is a danger here of our ending up with the worst of both worlds - of eventually having to do the works together and either facing the difficulties and extra costs of two contractors working on essentially the same site or seeking to negotiate, from a position of total weakness, with the CTRL promoter for him to take on the M2 works.

It therefore seems to me on balance to be preferable for us to include the M2 works in the CTRL competition, so that we obtain a competitive price for the road works, and so that the chosen private sector promoter can exercise his skills in coordinating the road and railway works, and can achieve the savings which are to be had from simultaneous construction.

The risk with this course of action is that it will introduce an extra complexity into the already complex CTRL competition. However, the road scheme is essentially a civil engineering job which will be very similar to the civil engineering elements of the railway project, and I cannot see how this will deter potential bidders. Furthermore, even if we did not have simultaneous construction, the CTRL promoter would be faced with the M2 works handled by a separate contractor and with considerable potential to disrupt the fitting out of the railway or the initial years of its operation. So there are swings and roundabouts here.

We will need to set up special arrangements to ensure that cost increases are not loaded onto the road works; I suspect it will be difficult to achieve a totally watertight control, but any extra costs to the public purse arising from this will be offset by the real savings from joint construction by a single contractor.

There are no easy answers to this difficult issue, but I hope that you and Stephen can on reflection agree with the course I propose. This is now very urgent, as it is the one matter holding up the issue of the pre-qualification documents (PQDs) for the CTRL competition. It is desirable both for the credibility of the competition and for the Private Finance Initiative generally that we issue the PQDs quickly. I am aiming for Thursday 3 March, but to achieve that we need to reach a final decision on the M2 by next Monday.

POLICY IN CONFIDENCE

I am copying this letter to Kenneth Clarke, Michael Heseltine, John Gummer and Stephen Dorrell, and to Sir Robin Butler.

Yours ever,

JOHN MACGREGOR

POLICY IN CONFIDENCE

cc Mrs Lomax
Mr Niven
Mr Betts

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

FOI 93 LH

The Rt Hon Tony Newton OBE MP
Lord President of the Council
Privy Council Office
68 Whitehall
LONDON
SW1A 2AT

25 JAN 1994

CABINET OFFICE
P 11471
26 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

25 JAN 1994
LORD PRIVY SEAL

Dear Tony,

CHANNEL TUNNEL RAIL LINK: MEDWAY BRIDGE

One of the few points which remains to be resolved concerning the route of the Channel Tunnel Rail Link is whether powers are taken in the Bill to construct the Bridge for widening the M2 over the Medway at the same time as the powers for the new Rail Link Bridge.

You will have noted how strongly Dame Peggy Fenner argued in the House for proceeding with the motorway widening and Rail Link Bridges at the same time in order to minimise the effect on communities in her constituency.

I hope we can therefore agree to proceed with including the M2 Bridge in the Bill.

I am copying this letter to Kenneth Clarke, Michael Heseltine and John Gummer and to Sir Robin Butler.

I mentioned this to you last night.

Yours ever,

John

JOHN MACGREGOR

POLICY IN CONFIDENCE

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

CABINET OFFICE
A 1126
25 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

The Rt Hon Tony Newton OBE MP
Lord President of the Council
Privy Council Office
68 Whitehall
LONDON
SW1A 2AT

25 JAN 1994

FOI 93L

Mrs Lomax

C. M Byrd

Dear Tony,

CHANNEL TUNNEL RAIL LINK: MEDWAY BRIDGE

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I mentioned this to you last night.

Yours ever,

John

JOHN MACGREGOR

POLICY IN CONFIDENCE

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

Registry

93

CABINET OFFICE
A 1188
26 JAN 1994
FILING INSTRUCTIONS
FILE No.

Mrs Mary Francis
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

25 JAN 1994

R14/7

Mr Bond

Mr Betts

Dear Mary,

I attach a copy of a letter my Secretary of State wrote to Sir Wilfrid Newton on Crossrail.

I am copying this letter to Joan Bailey (Lord Privy Seal's Office), Owen Barder (HM Treasury), Peter Smith (DTI), Alan Riddell (DoE) and Melanie Leech.

Yours sincerely,

Steve Allen

STEVE ALLEN
Private Secretary

POLICY IN CONFIDENCE

cc Mrs Lomax
Mr Niven
Mr Betts

92

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

25 JAN 1994

The Rt Hon Tony Newton OBE MP
Lord President of the Council
Privy Council Office
68 Whitehall
LONDON
SW1A 2AT

CABINET OFFICE
F 4717
26 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

25 JAN 1994
LORD PRIVY SEAL

Dear Tony,

CHANNEL TUNNEL RAIL LINK: MEDWAY BRIDGE

One of the few points which remains to be resolved concerning the route of the Channel Tunnel Rail Link is whether powers are taken in the Bill to construct the Bridge for widening the M2 over the Medway at the same time as the powers for the new Rail Link Bridge.

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I mentioned this to you last night.

Yours ever,

John

JOHN MACGREGOR

POLICY IN CONFIDENCE

cc Mrs Lomax
Mr Niven
Mr Betts

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

CABINET OFFICE
F 4740
27 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

25 JAN 1994

The Rt Hon Tony Newton OBE MP
Lord President of the Council
Privy Council Office
68 Whitehall
LONDON
SW1A 2AT

25 JAN 1994
LORD PRIVY SEAL

Dear Tony,

CHANNEL TUNNEL RAIL LINK: MEDWAY BRIDGE

One of the few points which remains to be resolved concerning the route of the Channel Tunnel Rail Link is whether powers are taken in the Bill to construct the Bridge for widening the M2 over the Medway at the same time as the powers for the new Rail Link Bridge.

You will have noted how strongly Dame Peggy Fenner argued in the House for proceeding with the motorway widening and Rail Link Bridges at the same time in order to minimise the effect on communities in her constituency.

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I mentioned this to you last night.

Yours ever,

John

JOHN MACGREGOR

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

CABINET OFFICE
A 1020
24 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

Mrs Mary Francis
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

24 JAN 1994

c. Mrs Lomax

Dear Mary,

CHANNEL TUNNEL RAIL LINK

My Secretary of State will be announcing the route of the Channel Tunnel Rail Link this afternoon. I attach a copy of his statement and the Press Notice.

I am copying this letter to the private offices of members of the Cabinet, and to Melanie Leech.

Yours sincerely,

Steve Allen

STEVE ALLEN
Private Secretary

PRESS NOTICE

THE DEPARTMENT
OF TRANSPORT

PRESS NOTICE NO: 27

DATE: 24 January 1994

MACGREGOR CONFIRMS ROUTE OF THE CHANNEL TUNNEL RAIL LINK

Secretary of State for Transport, John MacGregor, today announced final decisions on the safeguarding of the route and terminus of the £2-3bn Channel Tunnel Rail Link.

Hailing it as a major step forward in the Government's private finance initiative, Mr MacGregor said:

"The project will go ahead on the fastest possible timetable, with the private sector assuming full responsibility for construction and operation. The Government is willing in principle to provide substantial public sector support, in recognition not only of the significant domestic transport and regeneration benefits from the new line, but also of some of the very large benefits to international passengers".

The key points of Mr MacGregor's statement to Parliament were:

- St Pancras is the choice for the London terminus;
- decisions on safeguarding the route are final;
- safeguarding of land and property at Kings Cross will be withdrawn. This means that the Kings Cross Railways Bill will also be withdrawn.
- planning directions will be issued in the next few weeks;
- the project will go ahead on the fastest possible timetable;
- a Hybrid Bill is in preparation and will be ready in the autumn for the private sector to consider and for the Government to take forward thereafter;

- the private sector will assume full responsibility for construction and operation of the Rail Link;

- the Government is willing to provide substantial public sector support;

- the competition to select the private sector partner will be launched very soon.

The Government's final conclusions are based on extensive consultations and a full report from Union Railways. Union Railways held some 650 meetings between March and October with local authorities and others. Over 20,000 letters were sent. The Department of Transport received nearly two and a half thousand submissions and petitions.

The standards of mitigation and environmental protection on the Rail Link will be at least comparable with other major transport projects.

Mr MacGregor recalled that the decision to opt for an easterly approach into London had been based in large part on the opportunities for regeneration and confirmed that there should be at least one intermediate station between Ashford and London. The options were Stratford, Rainham and Ebbsfleet; a final decision would depend upon the provision of satisfactory financing by the stations' promoting groups.

Mr MacGregor made clear that his decisions today on safeguarding the route were final. Only two aspects were partly and temporarily undecided. Union Railways will undertake further urgent study and consultation at Pepper Hill and Ashford in Kent, to enable final decisions to be taken in three months; meanwhile the options at both sites will be narrowed.

Elsewhere in Kent, the route remains largely as announced for consultation in March. A long tunnel either side of the Medway cannot be justified. North of the Thames, Union Railways' refined route through Essex has been accepted. A package of operational and environmental improvements will be made to the approach to St

Pancras, which will be in tunnel and grade-separated. New powers will be sought in the Hybrid Bill for the advance works for a new Thameslink station under St Pancras, at Midland Road.

Today's decisions maintain the Rail Link's ability to carry freight.

On the financing of the link Mr MacGregor said:

"Government assistance will be provided partly through the transfer of European Passenger Services to the private sector partner as soon as the partner has been chosen. The total Government assistance to be provided will depend on the outcome of the competition to select the private sector partner, which will be launched very soon.

"A Hybrid Bill is being drafted on the basis of the safeguarded route. We aim to have it ready by this autumn for consideration by the private sector and for the Government to take forward thereafter."

Notes to Editors

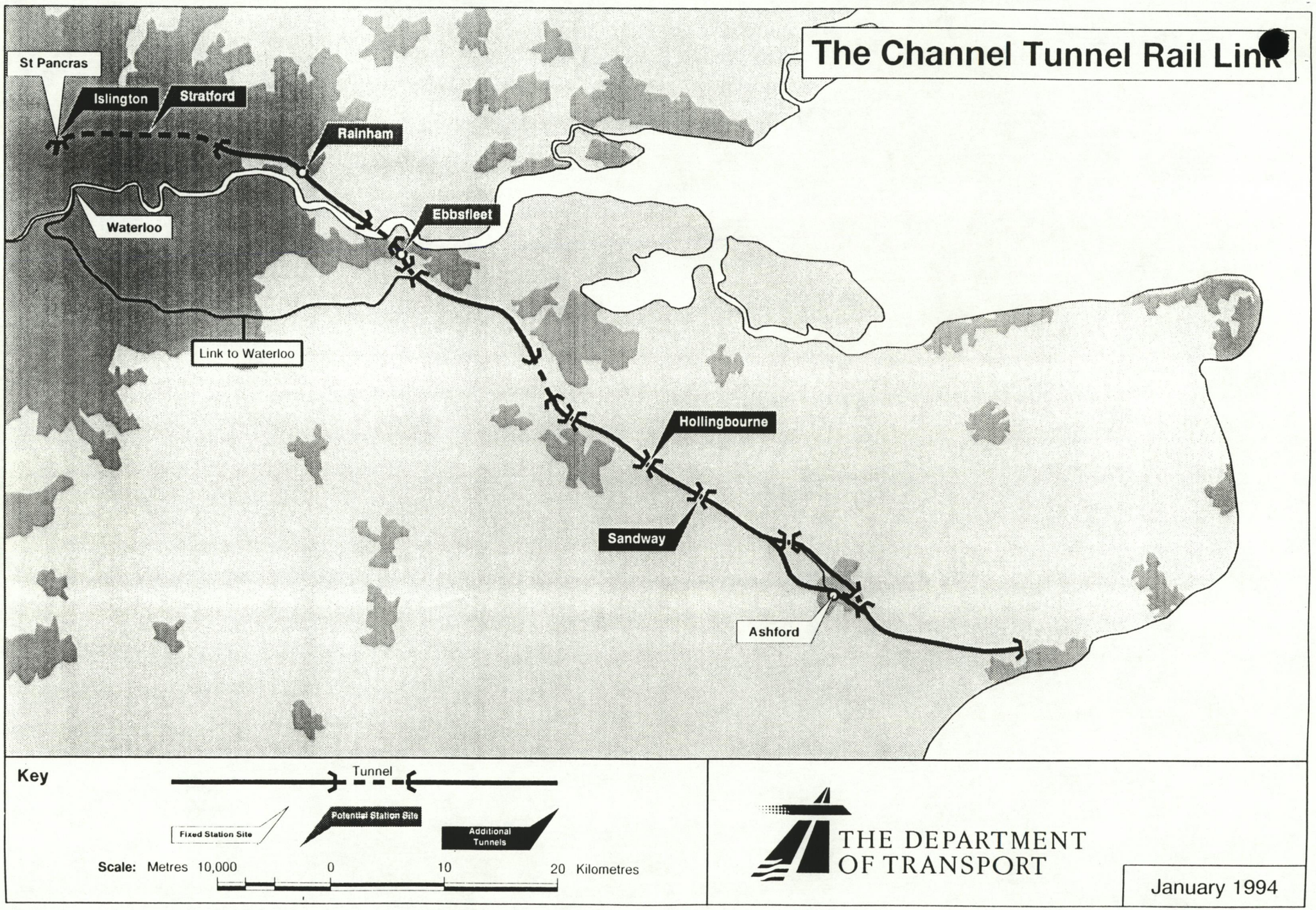
1. The text of Mr MacGregor's statement is attached together with a detailed description of the route and a map. Union Railways is today publishing its October 1993 report, excluding commercially confidential material.

2. Mr MacGregor announced on 22 March 1993 (PN 117) the route of the rail link for consultation, and the intention to take the project forward as a joint venture with the private sector, with a substantial Government contribution.

3. Mr MacGregor announced on 11 November 1993 (PN 450) the intention to launch a competition to select a private sector partner to design, construct and operate the Rail Link, and that Union Railways, and BR's European Passenger Services business, would become part of the joint venture.

Press Enquiries: 071 276 0888; out of hours: 071 873 1985

Public Enquiries: 071 276 0800


The Channel Tunnel Rail Link
St Pancras
Islington
Stratford
Rainham
Waterloo
Ebbsfleet
Link to Waterloo
Hollingbourne
Sandway
Ashford
Key
Tunnel
Fixed Station Site
Potential Station Site
Additional Tunnels
Scale: Metres 10,000 0 10 20 Kilometres
THE DEPARTMENT OF TRANSPORT
January 1994

SECRETARY OF STATE'S STATEMENT ON THE CHANNEL TUNNEL RAIL LINK

1. With permission, Madam Speaker, I should like to make a statement about the proposed new Channel Tunnel Rail Link.

2. The House will recall that in March 1993 I announced a preferred route and asked Union Railways to lead the consultation on it. Union Railways carried out a huge consultation exercise, and reported to me in October. Their report is available in the Vote Office. I am now able to announce the Government's final conclusions on the route.

3. Union Railways' report confirms that St Pancras is preferable to King's Cross as the terminus on environmental, operational and commercial grounds. I therefore confirm the choice of St Pancras as the London terminus. BR will no longer need to continue seeking powers to build the King's Cross Low Level station and will be withdrawing the King's Cross Bill. I intend to remove the safeguarding of the land and property affected by that project. Links from St Pancras will be provided to the East and West Coast Main Lines to facilitate through-services to the Midlands, the North of England and Scotland; and Midland Main Line services will be retained at St Pancras.

4. I propose to seek powers in the Hybrid Bill for the advance works for a new Thameslink station under St Pancras, at Midland Road. This would be the optimum location for any eventual new Thameslink station serving the King's Cross and St Pancras area. It is our intention that further improvements to Thameslink would be carried forward by the private sector. The use of any powers obtained will be a matter for the private sector promoters of the Channel Tunnel Rail Link, and of Thameslink, not for the Government.

5. I now turn to the route itself. The approach to St Pancras has been one of the most contentious issues in London. The surface route along the North London Line corridor would be difficult to construct and environmentally damaging. I considered the approach to St Pancras in combination with three other options recommended by Union Railways for operational reasons. I have accepted a package which incorporates a tunnel,

a grade-separated approach to the terminus, a short open concrete box at Stratford to allow for an emergency crossover, and advance works for a connection to Temple Mills.

6. In Kent, there is no easy choice at Pepper Hill. The tunnel under the electricity switching station has to be ruled out because of high cost and grave threat to the construction programme. The choice between a tunnel under Pepper Hill and an alignment around it cannot be made without more information. Before taking a final decision I shall hold further consultations with those concerned.

7. I confirm that there will be a short tunnel under the North Downs. I have accepted a 240 metre long tunnel at Hollingbourne to preserve the setting of the conservation area and reduce noise impacts; and a 170 metre long tunnel at Sandway under the Headcorn Road so as to reduce the impact on the conservation area.

8. At Ashford, I have had to rule out the tunnel option to the west of Ashford on grounds of cost; but, as a consequence, and at the request of Ashford Borough Council, I have asked Union Railways to consider urgently the relative merits of the present northerly preferred route and a central route through Ashford but then proceeding on the surface in a northwesterly direction. The new international station at Ashford is now proceeding and will serve passengers both before and after the construction of a new rail link.

9. At the Dollands Moor freight inspection facility adjacent to Eurotunnel's terminal, the Bill will allow for possible realignment to improve operations, with the further possibility of allowing international freight trains to have direct access to the Rail Link, thus removing the need for an additional freight inspection facility at Westenhanger. I shall also provide in the Bill for two freight passing loops in Kent, to keep open the option of taking more freight trains if demand justifies it in the future.

10. I turn now to intermediate stations. The decision in October 1991 to route the Rail Link on an easterly approach into London

was based in large part on the opportunities for regeneration. With that objective in mind, the Government's view remains that, subject to satisfactory finance, there should be at least one intermediate station between Ashford and London. Four possible locations - Stratford, Rainham, Ebbsfleet and Nashenden - have been looked at. The proposed domestic station at Nashenden has no private sector or local authority promoter or support. I have decided that it can be ruled out.

11. That leaves Stratford, Rainham and Ebbsfleet. Ebbsfleet and Rainham are in direct competition, both being M25 parkway stations. On present information, a combined international and domestic station at the northern site at Ebbsfleet seems the better parkway station option, but a final decision will depend upon the provision of satisfactory financing by the promoting group.

12. The economic case for a station at Stratford has yet to be fully made. If the justification for one - in particular the financial case - improves before the Hybrid Bill is introduced, powers could be sought to build a longer box there than the one to which I referred earlier.

13. I intend to issue planning directions in the next few weeks to safeguard the route announced today and St Pancras. These directions will replace all of the existing safeguarding directions. I want to make it clear that the decisions on safeguarding the route announced today are final. Any changes which may be proposed by the private sector partner who will eventually build and operate the new Link must be within the area safeguarded. Furthermore any changes must not materially worsen the environmental impacts of the safeguarded route. The private sector will however have flexibility to decide on some operational features of the railway. I expect that the private sector will also want to consider carefully the phasing of the works.

14. I recognise there is considerable concern about blight. Homes wholly or substantially required for building the railway, together with those seriously affected by the works or operation of the railway, will be included in the safeguarded zone and will

be offered voluntary purchase. Any other homes that may be affected by operational noise above the proposed threshold for noise insulation will qualify for purchase in cases of hardship.

15. As I announced last November, the project will go ahead on the fastest possible timetable, with the private sector assuming full responsibility for construction and operation. The Government is willing in principle to provide substantial public sector support, in recognition not only of the significant domestic transport and regeneration benefits from the new line, but also of some of the very large benefits to international passengers. Government assistance will be provided partly through the transfer of European Passenger Services to the private sector partner as soon as the partner has been chosen. The total Government assistance to be provided will depend on the outcome of the competition to select the private sector partner, which will be launched very soon.

16. A Hybrid Bill is being drafted on the basis of the safeguarded route. We aim to have it ready by this autumn for consideration by the private sector and for the Government to take forward thereafter. The precise timing of the Bill's introduction will depend on the Parliamentary timetable and the private sector's views.

17. This solution will provide a fast rail link between London and the Channel Tunnel. It achieves all the Government's objectives. People who live in Kent will get further improved rail services to London. Rail travellers will receive the extra capacity when it is needed around the turn of the century. It provides a new railway which is sensitive to the land and townscapes through which it passes. It establishes a Joint Venture in which both the public and private sector play their roles.

18. It is a further demonstration, coming on top of Dartford Bridge, Second Severn Crossing, Heathrow express and the Jubilee Line Extension, all of which have been built or are under construction, that the Private Finance Initiative is now moving ahead fast.

24 January 1994

CHANNEL TUNNEL RAIL LINK
ROUTE DESCRIPTION

Introduction

1. This note details the refined route of the Channel Tunnel Rail Link incorporating the additional tunnels and other operational options announced by the Secretary of State for Transport in his statement. It is arranged in sections starting at the London terminus at St Pancras and ending at Cheriton near the Channel Tunnel portal. A map outlining the route is attached.

St Pancras

2. The London terminus at St Pancras will contain six international and three domestic platforms dedicated to the rail link. The Midland Main Line will also have four platforms within St Pancras. Links to the East & West Coast Main Lines are provided.

3. The proposed Midland Road Thameslink station is located on the existing Thameslink alignment, with the station itself underneath St Pancras and giving out onto Midland Road. A sub-surface connection would allow Great Northern Suburban Line services to run onto Thameslink.

St Pancras to Dagenham

4. A grade-separated approach to St Pancras is provided, and from just east of the Caledonian Road near St Pancras the route runs in tunnel through Islington along the broad alignment of the North London Line, and then runs towards Stratford.

5. The route crosses the railway lands at Stratford to the north of the existing station and still in tunnel, although the tunnel comes nearer to the surface to allow a short open concrete box to be built to allow for an emergency crossover, and the advance works for a connection to a possible berthing and servicing depot at Temple Mills, to be provided.

6. Heading east from Stratford the route continues in tunnel until the portal immediately to the east of Barking station. The route then runs on the surface to Ripple Lane, where a viaduct is provided to allow freight to join and leave the rail link, taking over two little-used tracks on the existing four-track alignment of the London Tilbury and Southend Line.

Dagenham to A2 at Dartford/Gravesham Boundary

7. The route runs to the south of the LT&S past Rainham, with an additional 10m gap between the rail link and the LT&S provided as they run past the main Rainham residential area. The route then continues to the south of the existing railway, crossing the edge of Wennington and Rainham Marshes. It runs on viaduct past the housing estate at Mardyke Park, crossing the LT&S and running immediately to the south of the Purfleet Bypass.

8. The Tilbury Loop Line is crossed, and then the M25 is crossed by passing over the top of the Dartford tunnel exit ramps and under the Queen Elizabeth II Bridge viaduct. The Thames is crossed by a bored tunnel from Thurrock Marshes, clear of the proposed Special Protection Area and proposed RAMSAR site on the river bank marshes, to Swanscombe.

9. The route emerges from tunnel on the Swanscombe Marshes and runs through an industrial area. A junction is provided with the NSE line from Gravesend and the Medway towns (to provide access to the rail link for North Kent commuter services). The route then passes along the valley of the river Ebbsfleet.

10. On the Dartford and Gravesham boundary there is a junction from the rail link on to the disused Gravesend West Branch Line which is reinstated and connected with the Victoria to Chatham railway at Longfield Junction, which enables international passenger trains to leave the rail link and run on existing lines to Waterloo International Passenger Station.

A2 at Dartford/Gravesham District Boundary to Detling

11. At Pepper Hill options remain open for a tunnel under the housing estate or a route around the estate. The route then runs parallel to the A2, about 200 metres to the south of it, and there is a grade separated junction described above. The route passes over the Wrotham road on a viaduct continuing parallel the A2. At Henhurst provision is made for an optional freight loop. There is a cutting through the fringes of Shorne and Ashenbank Woods before running through the northern boundary of Cobham Park. The route skirts the land required for the Wainscott Northern Bypass.

12. The route then merges with the M2 corridor, leaving room for the proposed motorway widening scheme. It crosses the Medway on a viaduct parallel to the existing M2 viaduct and the proposed additional viaduct for the M2. The route follows the M2 closely through the Nashenden Valley, still leaving room for widening of the motorway, before a cutting drops into a tunnel portal at Style Wood. The bored tunnel passes at considerable depth under Blue Bell Hill before emerging close to the A229.

13. The route runs along the foot of the North Downs passing near Boxley Abbey and into a short section of cut and cover tunnel. It crosses south of Boxley and Detling and merges with the M20 corridor.

Detling to Maidstone/Ashford Borough Boundary

14. The route continues close to the northern side of M20 and enters a 240 metre long tunnel at Hollingbourne in the vicinity of the Eyhorne Street conservation area. At Harrietsham the route is inserted in the narrow gap between the A20 and M20. It then leaves the M20 corridor to run north of Sandway where there is a 170 metre cut and cover tunnel under Headcorn Road. The route then converges again with the M20, running south of Lenham Heath.

Maidstone Borough Boundary to Cheriton

15. The route runs close to the M20 runs south of Charing Heath and provision is made for a freight loop. The north of Ashford route option departs slightly from the M20 and there is a grade separated junction with the existing Maidstone to Ashford railway (for use by domestic and international trains). The route runs a little north of the M20, passing underneath Sandyhurst Lane in cutting, then close to the M20 on the northern side of the town before a bored tunnel beneath Willesborough Lees, emerging on the south side of the M20. The route runs through Sevington and then joins the corridor of the existing railway at Mersham.

16. The southerly surface route option at Ashford has not been defined in detail. It departs from the route described above in the Westwell Leacon area and does not have a grade separated junction in that location. It runs on the surface to the west of the town in the Hotfield area before joining the corridor of the Ashford to Redhill line at the edge of the built up area. It continues on the surface on the edge of a housing estate and through a industrial area and there would be a junction with the existing line. The line joins the original safeguarded route at Ashford International Passenger Station and there would then be a further junction with the existing line to the east of the station. The route would then pass through South Willesborough and Sevington before joining the other route option at Mersham.

17. From Mersham the route follows the existing railway past the Sellindge Converter Station, then to the north of Westenhanger Station and into the grounds of Sandling Park.

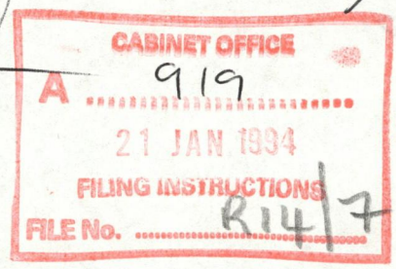
18. Approaching Dollands Moor the two tracks of the rail link diverge to make provision for a grade separated junction within the Freight Inspection Facility. Provision is also made for advance works for a connection from the FIF on to the rail link (to enable international freight trains to access the new line directly).

Department of Transport
January 1994

CONFIDENTIAL

Sir Robin Butler





89

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

21 January 1994

(cc Bird o/c)

CROSSRAIL

Yesterday evening the Prime Minister discussed the Crossrail scheme with your Secretary of State, the Chancellor of the Exchequer, the Lord Privy Seal, the Secretary of State for the Environment, the Chief Secretary and the Minister of State (Department of Trade and Industry). Lord Poole (No.10 Policy Unit) and Richard Bird and Alan Sandle (Cabinet Office) were also present.

Your Secretary of State said that a decision had to be taken urgently on whether the Private Bill on Crossrail should proceed when Committee Stage resumed on 25 January. He was in no doubt that the Bill should go ahead. The conditions for continuing with the Bill had been set at the meeting held by the Prime Minister on 18 May 1993 where it had been agreed that the Bill should proceed on the understanding that cost-savings would be made and private sector participation sought. The three independent studies carried out since then, most recently by Bovis/Gibb, had confirmed that the project was well designed and engineered and followed the right alignment. The Bovis/Gibb study had suggested how substantial cost-savings might be achieved, in particular by removing two of the five central London stations which reduced the cost to £2.4 billion. However the scale of the project did not need to be settled at this stage; that would depend on the eventual view taken by the private sector. All the recent studies had confirmed that the private sector would wish to contribute to the project. The Bovis/Gibb report had pointed to recent falls in central London employment which in their view might lead to a postponement of the project. However, this did not mean a delay in the Bill itself which was needed before the private sector could take a firm view of the project. In any event, a more optimistic view on employment prospects had been expressed by Coopers & Lybrand and KPMG. Even at 85 per cent of forecast demand, the reduced scale project should be able to provide a proper financial return on a 50 per cent private sector contribution, and an 8 per cent real rate of return on the residual public sector contribution. Recent experience with similar projects in Paris and other large transport projects in this country suggested that demand tended to be understated; Crossrail usage could be stimulated by any future measures to combat traffic congestion in London. The

six lower cost schemes looked at very quickly by Bovis/Gibb did not meet Crossrail objectives and British Rail and London Transport were sceptical about their cost and operational feasibility. They did not therefore represent proper alternatives to Crossrail. It would be very difficult to justify withdrawing the Crossrail Bill now in view of these positive developments and the favourable view which potential private finance contributors were taking, not least the Chancellor of the Exchequer's adviser on private finance, Sir Alastair Morton. The Government would have to justify any such decision by referring to the Bovis/Gibb employment forecasts which were in dispute. The impression would be given that the Government took a pessimistic view on future employment in London and had lost confidence in the private finance initiative. Continuing with the Bill would enable the private sector to determine whether this project should eventually go ahead.

The Chancellor of the Exchequer said that the project had been conceived in the late 1980s when large construction projects were fashionable and artificial boom conditions prevailed. It was now necessary to take a more realistic view. The congestion relief and regeneration benefits were questionable and only applied to a limited corridor, much of which was well outside London. The project was very expensive, potentially hugely disruptive during the construction phase and there was a high risk that the public sector would have to pick up a high proportion of the cost. In practice, however, it was doubtful whether the project would be built in the foreseeable future since it would not be attractive to the private sector when they were in a position to examine it seriously. This would be highly damaging to the Government's private finance initiative. The alternative schemes identified by Bovis/Gibb could be built more quickly at lower cost, delivered many equivalent benefits and would be more attractive to private sector finance. Many of the schemes made use of existing tunnels which was a feature of some recent rail schemes in the Paris area. BR and LT were committed to Crossrail and could not therefore be relied upon to provide an independent assessment of the viability of alternative schemes. A decision to withdraw the Bill could be presented as a response to petitioners' concerns about the Private Bill and as an opportunity to provide earlier worthwhile transport benefits for Londoners.

The Chief Secretary said that expenditure of nearly £3 billion on Crossrail compared poorly with other potential transport investment in the London area. The most successful recent rail scheme in London had been Thameslink where substantial benefits had come from limited investment using existing tunnelling. This was a feature of most of these alternative options suggested by Bovis/Gibb. The private sector was much more likely to be interested in such schemes than in Crossrail.

The Secretary of State for the Environment said that similar objections had been made to through rail lines across Paris. The fourth such line was now under construction. If London were to compete successfully internationally, there was no alternative but to invest in large rail projects such as Crossrail. Crossrail also linked all the major areas identified for regeneration in East and West London. The project was supported by all the major interests supporting the development of London and considerable interest had been shown by potential private sector investors. It would be very hard to explain to these groups why the project was being cancelled. The other option identified by Bovis/Gibb had not yet been properly appraised and did not provide the same benefits as Crossrail. It would be very difficult in these circumstances to explain why the Crossrail Bill was being withdrawn and the Government would be in a highly vulnerable position.

The Minister of State, Department of Trade and Industry, said he endorsed the points made by the Secretaries of State for Transport and the Environment. It was important the London was, and was perceived to be, internationally competitive and this inevitably involved putting in appropriate rail schemes such as Crossrail. Unemployment was now a significant problem in the London area and a positive message on employment growth was essential. Withdrawing the Bill could suggest that the Government was no longer serious about involving the private sector in such projects.

In discussion, the following main points were made:

(a) There were grounds for scepticism about whether a project as costly as Crossrail would, in the event, prove attractive to private sector investors. But the Government was now in practice heavily committed to proceeding with the Bill and it would be difficult to explain why the Bill was being dropped when the private sector still appeared to be interested in financial participation.

(b) Sir Alastair Morton had written to the Chancellor of the Exchequer vigorously supporting continuing with the Crossrail Bill. He had also pointed out that his private sector group had not had an opportunity to comment on the scheme.

(c) One possibility was to delay the Bill for a short period until the Morton Group had had an opportunity to give their verdict on it. However there was a risk that a delay of more than a very few days would lead the

Private Bill Committee to throw the Bill out. Moreover expectations would be heightened and if the Bill were then to proceed the Government would be seen as being more heavily committed to the project.

(d) Recent Ministerial statements had made it clear that the project would only proceed as a joint venture. However this left unclear the scale of a private sector contribution. The Jubilee Line extension was described as a joint venture whereas the private sector contribution was in practice very low. It was therefore entirely appropriate to signal now that Crossrail would only proceed if there was a substantial private sector contribution.

The Prime Minister, summing up the discussion said that while a strong case had been mounted that the Crossrail project would not prove financable in the foreseeable future, this case had not yet been proved. There were no clear grounds for withdrawing the Bill, and it should therefore continue. However, the prospects for private finance needed to be clarified and the Chancellor of the Exchequer's group on private finance should be asked for its views. The Bill should not be delayed while this was happening. The Government should also be more precise about the quantum of private finance being sought for the project so that a position was clearly established and there was no question of the Government being committed to Crossrail whether or not a financial contribution was forthcoming. The Secretary of State for Transport and the Chancellor of the Exchequer should therefore agree a form of words making it clear that the project would only go ahead on the basis of a joint venture with a significant private sector financial contribution, so that a statement to this effect could be read out by the Bill promoters at the start of Committee proceedings on 25 January. Since this was consistent with previous Government statements, it should cause no surprise or difficulty. This text should be made available to the operators as soon as possible to avoid any unwelcome speculation.

I am copying this to the Private Secretaries of the Ministers attending the meeting, to Melanie Leech (Sir Robin Butler's Office) and to the officials present.

Yours, Mary

MRS. MARY FRANCIS

Paul Coby, Esq.,
Department of Transport.

SECRETARY OF STATE FOR TRANSPORT

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

88

CABINET OFFICE
A 1189
26 JAN 1994
FILING INSTRUCTIONS
FILE No.

21 JAN 1994

R14/7

Sir Wilfrid Newton CBE
Chairman
London Transport
55 Broadway
LONDON
SW1H 0BD

Mr Bitti

Dear Sir Wilfrid,

CROSSRAIL

The Government has now considered the study of Crossrail's cost-effectiveness which it commissioned following the decision last year to take the project forward as a joint venture with the private sector.

The Government continues to support the project and I am pleased to tell you that our consideration had led us to the conclusion that you should now proceed with the private Bill which you have promoted. The Government intends that the project should only go ahead on the basis of a joint venture with a substantial private sector financial contribution. I also expect the private sector to have a major role in deciding how to use the powers taken in the Bill.

I am sending a copy of this letter to Sir Bob Reid.

Yours sincerely,

S. D. Allen

PP JOHN MACGREGOR (agreed by the Secretary of State and signed in his absence)

Richard Bird
CO

cc Mr Nicholson
Miss Harper
Mr Betts

87

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

21 January 1994

CABINET OFFICE
K A353
21 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

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Yours, Mary

MRS. MARY FRANCIS

Paul Coby, Esq.,
Department of Transport.

cst.ps/dr/10mp20.1

POLICY IN CONFIDENCE

cc Mr Owen
Mr Bird
Mr Betts

CABINET OFFICE
P 11415
24 JAN 1994
INSTRUCTIONS
R14/7

FOLIO 86

Treasury Chambers, Parliament Street SW1P 3AG
071-270 5000
Fax 071-270 5456

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

21 JAN 1994
LORD PRIVY SEAL

Regions
Mr Nwa

Dear John

21 January 1994

CTRL

Thank you for sending me a copy of your letter to John Gummer of 19 January.

2. I am content with the modest extension to the property policy that you propose to make, but I think it is essential that we go no further. We must be ready to defend the approach to property purchase robustly, both during the passage of the Bill and over the period between now and the Bill's introduction. I also strongly support your conclusion against tunnelling as an alternative.

3. Kenneth Clarke has already made clear our support for the approach you suggest to intermediate stations. It is very important that it is the private sector promoters who take the final decision about where stations should be built. I am also content with the proposals on a construction code of practice.

4. I am copying this letter to the Prime Minister, Michael Heseltine, John Wakeham, John Gummer, Tony Newton and Richard Ryder.

Yours ever

Michael.

MICHAEL PORTILLO
POLICY IN CONFIDENCE

cst.ps/dr/10mp20.1

POLICY IN CONFIDENCE

CABINET OFFICE
F 4705.
24 JAN 1994
FILING INSTRUCTIONS
FILE No. R417

Registry

cc Mr Owen
Mr Bird
Mr Betts

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Treasury Chambers, Parliament Street SW1P 3AG
071-270 5000
Fax 071-270 5456

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

21 JAN 1994
LORD PRIVY SEAL

Dear John

21 January 1994

CTRL

Thank you for sending me a copy of your letter to John Gummer of 19 January.

2. I am content with the modest extension to the property policy that you propose to make, but I think it is essential that we go no further. We must be ready to defend the approach to property purchase robustly, both during the passage of the Bill and over the period between now and the Bill's introduction. I also strongly support your conclusion against tunnelling as an alternative.

3. Kenneth Clarke has already made clear our support for the approach you suggest to intermediate stations. It is very important that it is the private sector promoters who take the final decision about where stations should be built. I am also content with the proposals on a construction code of practice.

4. I am copying this letter to the Prime Minister, Michael Heseltine, John Wakeham, John Gummer, Tony Newton and Richard Ryder.

Yours ever

Michael.

MICHAEL PORTILLO
POLICY IN CONFIDENCE

Sir Robin Butler

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CABINET OFFICE
A 845
20 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7





PRIME MINISTER

C. Mr Owen
Mr Bird

CROSSRAIL

If we carry on with the Crossrail Bill, we will dodge a bad press next week. But we will have stored up a political problem for the next 10 years.

Crossrail will cost at least £3 billion (£2.6 billion if we cut out two stations). The public sector could never afford to build it. We will get private sector money on sensible terms only if private sector investors believe LT's forecasts. But our consultants say that they won't, that the forecasts aren't realistic, and that Crossrail will have to be delayed by at least 10 years if we want a public/private joint venture. That means construction starting in 2006 and the project opening in 2011.

So if we go ahead with the Crossrail Bill, the project will not be built in the next Parliament. Or in the Parliament after that. Indeed, I think that it will never be built - and that a decision to go ahead with the Bill now simply means, one day, taking another decision to cancel it. By then, we will have wasted 18 months of Parliamentary time, and at least £75 million of public money, simply to get the Bill to Royal Assent. We will also have sunk ourselves into a deeper hole than any we could dig now - and done nothing whatever for London's reputation.

The alternative is to look at ways of improving London's rail network which do not involve pinning everything on one huge project which will never be built. You said in May that we should get independent advice on whether there were more cost effective alternatives to the Crossrail scheme designed by LT. That is precisely what we have got; and the answer is that there are lots of better schemes. I think they give us an exciting menu to choose from. They are set out in the annex to this note.

So, if we want to, we can devise a strategy which would deliver real benefits soon. Specifically, the schemes:

- could start to be built as soon as 1996;

- could be finished by 1999;

- could deliver many of the same benefits as Crossrail, plus benefits in other parts of London;

- in the consultants' view, are much better candidates for private finance.

If we take this strategy, we will be able to show that we have taken real action to invest more in London's transport by the time of the next Election. And we can reap the benefits before the Election after that.

I am copying this to John MacGregor and Sir Robin Butler.

MICHAEL PORTILLO

POSSIBLE TRANSPORT SCHEMES FOR THE CAPITAL

Extend Heathrow Express from Paddington to Moorgate

Cost: £125 mn

Would provide direct link from Heathrow to the City, like Crossrail, but at a fraction of the cost.

Link the JLE and the Central line north of Stratford

Cost: £120 mn

Allows the JLE to take more traffic from the Central line: another means of getting from East to West, and relieving the Central line West of Stratford.

Run trains from Slough or Reading straight through to Barking or Rainham

Cost: £260 mn

Would to a large extent replicate the service pattern of Crossrail but using the existing Circle line tunnels: LT accept that this could provide a significant part of the benefits of Crossrail.

Divert District line services from Wimbledon-Edgeware Rd via the Central line

Cost: £140 mn

Would replace a service that is of limited use with direct access from Wimbledon to the West End.

Divert some Metropolitan line trains onto Thameslink

Cost: £160 mn

Would improve journey times into the City and relieve the Circle line.

THE DEPARTMENT OF TRANSPORT

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Mr J Betts
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70, Whitehall
LONDON
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CABINET OFFICE
F 4691
20 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

19 January 1994

Dear Jim

CROSSRAIL

Further to the table faxed to you yesterday morning under cover of Edward Neve's note dated 17 January and following your telephone conversation with Handley Stevens earlier today, I am writing to confirm our agreement to the following:

i. The correct figures to use for the "Bovis-Gibb full scheme" are £2,660m median project cost and 1.2:1 benefit-cost ratio (BG report reference Tables 3.3, 3.5).

ii. The correct figures to use for the "Bovis-Gibb reduced scheme" are £2,250m median project cost and 1.4:1 benefit-cost ratio (BG report reference Tables 3.4, 3.5).

These figures assume property recoverables, but also assume that the project carries the full cost of all new rolling stock, with no allowance for re-sale of existing stock.

I am copying this letter to Philip Rutnam.

Yours sincerely

Malcolm Macdonald

M J MACDONALD

Covering CONFIDENTIAL

(82)

cc Mr Owen
Mr Bird
Mr Nye
Mr Sandall
Mr Bette
Mr Maclean
Mr Sandeman

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From the Secretary of the Cabinet and Head of the Home Civil Service
Sir Robin Butler GCB CVO

Ref: A094/183

R14/7

19 January 1994

Dear Mary,

CROSSRAIL

As requested in your letter of 12 January to Paul Coby I enclose a Cabinet Office note on the options for Crossrail.

At the meeting to be held on Thursday 20 January at 1715 the Prime Minister may wish to focus discussion in particular on the 5 options for handling the Crossrail Bill set out in paragraphs 24-28 of the report. These are:

a. Option I - abandoning the Crossrail Bill and announcing further work on a package of alternative schemes;

b. Option II - proceeding with the Crossrail Bill;

c. Option III - abandoning the private Bill but making a firm commitment to introducing a hybrid Bill if further consideration shows Crossrail to be the preferable option;

d. Option IV - continuing with the private Bill but examining alternative options;

e. Option V - delaying the Bill until further assessment of alternative options is complete.

I am copying this to Nick Macpherson (Chancellor of the Exchequer's Office), Peter Smith (President of the Board of Trade's Office), Paul Coby (Secretary of State for Transport's Office), Joan Bailey (Lord Privy Seal's Office) and Alan Riddell (Secretary of State for the Environment's Office).

Yours ever,

Melanie

Melanie Leech
(Private Secretary)

Mrs Mary Francis No. 10

OPTIONS FOR CROSSRAIL PROJECT - NOTE BY CABINET OFFICE

DECISION REQUIRED

1. The Committee stage of the Crossrail Bill recommences on 25 January. A decision on whether or not to proceed with the Bill should be taken before this date to avoid the possibility of the Bill being lost by default. This note, which has been produced at the Prime Minister's request, describes recent developments and sets out possible options.

BACKGROUND

2. East-West Crossrail - a new tunnel from Liverpool Street to Paddington linking rail services in East and West London - was given the go-ahead by the Secretary of State for Transport in October 1990. The private Bill to obtain a statutory authority for the construction was deposited in Parliament in November 1991. It received Second Reading in June 1993.

3. The project was reviewed by the Prime Minister, the then Chancellor of the Exchequer and the Secretary of State for Transport at a meeting in May 1993 following studies by Bechtel and Warbergs. The conclusions were that the Government was committed to a Crossrail project, that the maximum available cost savings needed to be secured and that there should be substantial private sector participation. The private Bill should proceed on the understanding that cost savings would be made and private sector participation sought. The Prime Minister referred to these conclusions at his speech to the CBI dinner on 18 May (text at Annex A). It was also agreed at the meeting that if it did not prove possible to accommodate the cost savings within the terms of the current private Bill, or if the Bill were to fail for some other reason, the Government should introduce a hybrid Bill replacing the private Bill.

4. The reference in the Conservative Party Manifesto and recent Ministerial statements on Crossrail are set out at Annex B.

<u>Bovis/Gibb study</u>

5. A recent study led by Bovis and Sir Alexander Gibb and Partners has reviewed Crossrail for the Government in order to establish its attractiveness to the private sector, to improve its cost

effectiveness and value for money for the public sector contribution. The study team reported earlier this month (summary of findings at Annex C). The report's main conclusions were that:

- the Crossrail route from Liverpool Street to Paddington is a well engineered scheme and provides the best solution to Crossrail objectives as originally defined (an alternative via Kings Cross would cost about 10% more with fewer benefits);

- cost savings, particularly reducing the number of central London stations, are feasible and should be further examined before final decisions are taken;

- employment in central London has fallen by 15/20% since original Crossrail forecasts were made. Even on a high growth forecast the level of employment originally forecast for 2001 will not now be achieved until 2010. This is likely to delay private sector interest in the scheme and the point at which a positive benefit/cost ratio is achieved for a public sector contribution;

- delaying construction of the scheme so that implications of employment growth can be assessed does not necessarily require a delay in the Bill process;

- there are other possible schemes which might provide some of the benefits of Crossrail at lower cost and could be implemented earlier. However these need to be examined in more detail to assess full cost and implications.

Ministerial reactions

6. The Chancellor of the Exchequer proposes in his letter of 10 January that the existing Crossrail project and the Bill should be abandoned. Because of the fall in employment and hence lower employment forecasts he sees no prospect of private sector involvement in Crossrail until well into next century at the earliest. He also considers that it would be foolish to continue with the present Bill when to do so would not offer any benefits to passengers in London on a foreseeable timetable. The lower cost alternative projects

identified by the consultants look promising for a much earlier private sector contribution, and should be taken forward as quickly as possible.

7. In his minute of 11 January the Secretary of State for Transport considers that about £400 million cost savings to the Crossrail project can be secured. Merchant bank advice is that 50% of the project's cost could be financed by the private sector. Continuing with the Bill does not commit the Government to authorising Crossrail. The Bill should proceed in its present form giving the private sector scope to influence decisions about the eventual form of the scheme. The employment and usage forecasts are uncertain and the feasibility of the alternative schemes identified by the consultants not proven, so killing off the project at this stage would not be justified. It would create severe presentational difficulties for the Government.

8. The President of the Board of Trade (13 January) has written in support of the Secretary of State for Transport's position, as has the Secretary of State for the Environment (17 January) who has also referred to the minimum regenerative benefits of the alternative schemes in comparison with the main Crossrail project.

ASSESSMENT

Costs

9. The consultants confirmed recent cost estimates for Crossrail. The cost of the full Crossrail project is estimated at £2.7 billion at current prices. When the project was originally announced its cost was estimated at £1.4 billion at 1990 prices. £75 million has already been spent, mainly on project design and on preparing the private Bill. There is provision for a further £35/17/15 million to be spent over the PES period.

10. In the light of the consultants' report, London Underground (LUL) and British Rail (BR) have identified cost reductions of some £400 million. This would involve cutting out 2 central London stations (Paddington and Farringdon), using standard 8 car trains (but keeping open the possibility of a subsequent increase to 12 car) and some other reductions in specification. DOT are confident that these savings are robust.

11. Bovis/Gibb considered that 5 of the 6 alternative options which might achieve some Crossrail objectives would cost between £100 million and £300 million. LUL and BR have questioned the extent to which these schemes achieve Crossrail objectives, and their operational feasibility and cost effectiveness. They have said that some of these schemes could lead to significant reductions of service for existing users.

12. It is generally agreed that the exact costs are uncertain until further work has been carried out. There is however no dispute that these schemes individually would be substantially cheaper than Crossrail although the benefits in each case would also be significantly less. It is for consideration whether they could be presented, individually or in aggregate, as genuine substitutes for Crossrail.

TIMING

13. The timing of the various projects under consideration depends upon a variety of factors including time taken to obtain statutory powers, availability of private and public finance (which itself depends on the cost and demand forecasts) and the length of the construction period. The earliest that the main Crossrail scheme could now open, on the most optimistic view of the availability of private finance, is 2001. This also applies to the reduced scale Crossrail project. However the consultants' report has pointed to the recent fall in employment in central London and the effect of this on demand forecasts. The timing of the availability of private finance will depend on the market view of employment prospects for London, taking account of future employment levels.

14. New statutory powers would be required for at least 5 of the 6 sub-Crossrail options. The private Bill route is no longer open now that the Transport Works Act (TWA) 1992 has been enacted. Powers would therefore need to be obtained either by an order made under the TWA 1992 or by a hybrid Bill. A hybrid Bill might take 18 months to 2 years, a TWA order probably a little less, although precise timings are certain. Allowing just over a year for initial design and preparations, and then a further 2-3 years for construction, the earliest completion date for the alternative options is around 1999/2000. This assumes that private finance could be secured very

quickly and that public sector provision would be available right at the outset.

15. A more accurate assessment of likely timescales cannot be made until further work has been done on the projects and on the extent of private sector interest.

Implications for private Bill

16. The Crossrail Bill Committee meets on 25 January. A number of petitions have been tabled. The Committee which comprises Tony Marlow (chairman), Matthew Banks, Eric Clarke and Kenneth Purchase, is likely to decide to meet 2 days a week for at least 3 months. Were the Bill promoters not to be ready to proceed with the Bill on 25 January, it is likely that the Committee would decide that the Bill should be thrown out. The most they are likely to accept is a short further delay for a few days only. Petitioners might also object to any postponement and demand compensation from the promoters.

17. If the Bill is thrown out, it could not be re-introduced. If the Government subsequently decided that it did wish to pursue Crossrail, it would need to introduce a hybrid Bill as the TWA order making procedure is considered too cumbersome and time-consuming in this case.

18. The Government has already made it clear that the timing and precise scope of the project depends upon the availability of private finance. So if it became known that 2 stations were likely to be excluded from the Crossrail project the Bill as currently drafted could still continue. However a substantial addition to the project, such as replacing Tottenham Court Road station by a new station at Holborn, would require an Additional Provision to the Bill. If such a Provision were deposited by the time the Committee completed its proceedings additional powers would have to be obtained either by a TWA order or a hybrid Bill.

19. If it became known that the Government was actively considering alternatives to the Crossrail project the Bill Committee might well take the view that the Bill should not be allowed to proceed. Equally, if the Government and Bill promoters asked for a substantial delay in the Bill in order that other options should be examined, the

Committee would regard it as an abuse and the Chairman of Ways and Means is almost certain to take the view that the Bill should not be carried forward to the following session.

20. If the private Bill is withdrawn or blocked, an alternative route might be to introduce a hybrid Bill in the 1994/95 session. This could achieve Royal Assent by the same time as a private Bill. On the other hand it would take up Government legislative time particularly in the 1995/96 session. Running this Bill at the same time as the Channel Tunnel Rail Link Bill (which may be introduced in the 1994/95 session) could create practical problems, though when these aspects were considered in May 1993 the Business Managers' view was that the difficulties were surmountable.

SUMMARY

21. At Annex D there is a summary of the above considerations for each of the Crossrail and sub-Crossrail options.

Political implications

22. The Secretary of State for Transport's assessment is that there would be an extremely hostile reaction from the City of London, London First and other bodies promoting London and the business community if the Crossrail project were abandoned.

23. In view of the high profile of Crossrail the Secretary of State for Transport would almost certainly have to announce any decision to withdraw the Bill to the House as a whole.

OPTIONS

24. **Option I** - abandon Crossrail Bill and announce further work on the package of alternative schemes (Chancellor of the Exchequer's proposal)

Advantages

- Ends commitment to project which might not be built for at least 15 years, if at all (project would not be justified on present level of demand).

- If results from further work on alternative schemes are positive, potential opportunity for earlier involvement of private finance and earlier realisation of some benefits associated with Crossrail.

Disadvantages

- Likely strong adverse reaction from City, business etc.

- Potential transport benefits of main Crossrail scheme would be lost.

- Message that Government assumes little if any growth in central London employment.

- Risk of further criticism if alternative projects attractive to private sector do not emerge from further studies.

25. **Option II** - proceed with Crossrail Bill (Secretary of State for Transport's proposal)

Advantages

- Leaves open the option of whether and when to construct a project depending on employment/usage changes and private finance interest.

- No presentational problems.

Disadvantages

- Government becomes more deeply committed to project which is very costly and may not be financeable.

- Possible opportunities for short-term private finance involvement in alternative options could be lost.

- Proceeding with the Bill would involve additional expenditure, which could prove abortive if the Bill is subsequently withdrawn.

26. **Option III** - abandon private Bill but firm commitment to introduce hybrid Bill if further consideration shows Crossrail to be the preferable option.

Advantages

- Allows time for alternative options to be considered in more detail without abandoning main Crossrail project.

- Hybrid Bill need take no longer than private Bill route.

Disadvantages

- Unless carefully presented, will be seen as Government going back on Crossrail project or delaying its progress unnecessarily.

- Possible that LUL/BR would not cooperate positively with sub-Crossrail options if main Crossrail project still in play.

- Hybrid Bill would take up Government legislative time.

27. **Option IV** - continue with private Bill but examine sub-Crossrail options.

Advantages

- Keeps options open.

- Would be easier to present as maintaining momentum on main Crossrail project.

Disadvantages

- Bill Committee most unlikely to accept continuing with the Bill on this basis. Substantial risk that the Bill would be lost.

- Government open to accusations of avoiding decisions.

- Government might be vulnerable to pay petitioners' costs in the interim.

28. **Option V** - delay Bill until further assessment of sub-Crossrail options complete.

Advantages

- Would keep options open.

Disadvantages

- High risk that Bill would be lost.

- Government likely to be portrayed as further delaying or even backing off Crossrail project.

Cabinet Office
19 January 1994

ANNEX A

EXTRACT FROM PRIME MINISTER'S SPEECH AT CBI DINNER, 18 MAY 1993

"We want to see the private sector fully involved in London's Crossrail project. We are determined to make sure this project is carried out as cost-effectively as possible and let me confirm tonight for those who may have had doubts that London Transport's parliamentary Bill is going ahead in Parliament next month."

ANNEX B

RECENT MINISTERIAL STATEMENT IN PARLIAMENT ABOUT CROSSRAIL

Extract from Chancellor of the Exchequer's Budget statement, 16 March 1993

"Secondly, there is Crossrail, a public sector project first proposed in 1989 to reduce congestion in central London. The Government remain committed to securing for London the benefits that Crossrail will bring, but we now believe it would be preferable to take this project forward as a joint venture with the private sector. The present proposals for Crossrail will therefore be re-examined. Our aims will be to maximise the participation and financial involvement of the private sector and to secure the best value for money for the taxpayer."

Extract from PQ Answer by Secretary of State for Transport, 3 November 1993

"In addition, the Government have announced that it is the intention that both the Channel Tunnel rail link and Crossrail schemes should be taken forward as joint ventures with the private sector."

Extract from Conservative Manifesto, April 1992

"The new Jubilee Line is being extended to Docklands and South East London and will be followed by the East-West Crossrail, linking Paddington to Liverpool Street."

1.0 EXECUTIVE SUMMARY

1.1 Introduction

The study team, led by Bovis/Gibb, has reviewed the CrossRail project in accordance with the requirements of Government, namely:

* To establish CrossRail as a joint venture attractive to the private sector;

* To improve cost-effectiveness of the project and reduce cost to the public sector;

* To ensure value for money for the public sector contribution.

The CrossRail project comprises the connection of the Shenfield Line into Liverpool Street from the east to four lines to the west of Paddington via a tunnel under Central London. The east-west connection gives a through service in order to achieve a balance in the service pattern and to facilitate movements to the West End from the east and to the City from the west.

The project as designed is a well engineered scheme, operationally efficient within the constraints of running on the existing British Rail network, offering a substantial investment in the long term infrastructure of London. The scheme has been promoted with a vision of a modern new rail network across London.

1.2 CrossRail Cost Effectiveness

Analysis by the study team of the project as designed has indicated that a number of elements of the scheme should be reviewed before final decisions on construction are made. In particular, the CrossRail team has demonstrated that the provision of stations in the central area is achieved at high cost and that benefits reduce with the increase in the number of stations. The study team has concluded that:

* Moorgate/Liverpool Street and Bond Street stations give positive benefits and logically form part of the base case;

* Either Tottenham Court Road or Holborn stations should be included in the base case, but not both;

* Paddington station incremental costs currently exceed incremental benefits and therefore the station is not justified in financial or economic terms. Further work is necessary to explore the opportunities to reduce costs and perhaps also capture more of the benefits of main line railway and Heathrow Express interchange;

* Farringdon station also has costs exceeding total benefits. The desire to provide a spur to the redevelopment of the

surrounding area and the good interchange with other rail services may improve the case for the inclusion of this station.

The minimum feasible railway identified by the CrossRail team provides basic infrastructure capable of handling 12 car trains, but station facilities for 8 car trains. This includes single ticket halls and provision for expansion to 12 car facilities with twin ticket halls. No economic justification has been seen by the study team for this provision and the study team recommends that consideration is given to further reductions in stations to 6 car operation. This is referred to hereafter as the minimum core railway.

Further cost savings from reductions in tunnel diameter, standardisation of escalators and deletion of all provision for expansion, have been identified as requiring analysis before construction commences. The provision of safety measures and provision for mobility impaired passengers to meet modern standards are considered essential parts of the scheme and not areas for cost reductions.

Alternative alignments for the central section via Kings Cross have been proposed by petitioners. The CrossRail team has found that the costs of routing via Kings Cross are approximately 10% higher than the currently proposed route, and the route attracts significantly less benefits. The study team endorses this view and concludes that the route chosen from Liverpool Street to Paddington provides the best feasible solution to the CrossRail objectives as originally defined.

The possibility of phasing the project has been considered, but most of the costs are in the Central London tunnels and part construction with turnback facilities does not provide benefits sufficient to justify this approach.

1.3 Economic Evaluation

The CrossRail project was a product of the Central London Rail Study (CLRS) carried out in 1988. The CLRS demonstrated that, with the then pertaining Central London employment growth, CrossRail would be required by the year 2001. The project would meet the objective of substantial relief to British Rail lines, particularly in the east, and relief to congestion on the Central Line and Metropolitan and Circle Lines. Additional benefits would accrue from connections with the City and West End.

A primary aim of the Government is to establish a joint venture with the private sector assuming a private sector contribution and a commensurate transfer of risk from Government. If the project proceeds as a joint venture with the private sector, the Government will still wish to see that its contribution gives rise to an attractive benefit:cost ratio. This could be of some importance for a project such as CrossRail, where the ratio is close to 1:1 as a public sector project.

The CrossRail team has determined that a benefit:cost ratio of around 1.4:1.0 is achieved for both the full scheme and the minimum feasible railway, assuming the CLRS growth forecasts. The deletion of stations in the minimum feasible railway reduces costs, but also benefits, leaving similar benefit:cost ratios. The basis of these calculations is for a public sector project using an 8% discount rate. The scheme generates large social benefits, a small proportion of which may be captured as net additional passenger revenues.

However, current analysis shows that employment growth in Central London has not followed the CLRS forecast. A fall has in fact occurred between 1989 and today of between 15% and 20%. If a high growth forecast is applied from today, then the CLRS forecast would be reached in 2010 not 2001. The study team considers that this could still be optimistic since it is policy both of Government and of the London Planning Advisory Committee to encourage growth outside of Central London, such as in the East Thames Corridor. London Transport's prediction of the change in forecast trends is illustrated in Figure 1.1.

Furthermore, it is noted that the trend in movement of people into Central London in the peak hours has been gradually downward for the past 30 years. This is illustrated in Figure 1.2.

In order to maintain a benefit:cost ratio greater than 1:1, it may be necessary to delay construction of the scheme and then to proceed only if employment growth has actually returned. However, these trends would not necessarily require a delay to the Bill process. During the passage of the Bill, the continuing change in employment and commuting growth could be monitored and the effect of observed changes and revised forecasts analysed. This would determine the timing for implementation of the project and the level of private sector investment that could be attracted, at that time.

1.4 Alternative Investment Opportunities

In the light of the above analysis, and as part of the study, the team investigated alternative options for changes to the London Underground network which could provide some of the benefits of CrossRail and which could be implemented earlier. Schemes with potential for high benefit:cost ratios and attraction to the private sector were targeted. The schemes considered comprise:

* Eastern City Link combining the Metropolitan trains from Amersham currently terminating at Aldgate with Shenfield trains currently terminating at Liverpool Street via part of the CrossRail tunnel. The scheme would connect Amersham to Shenfield as for CrossRail and would provide some relief to the Central Line in the east;

* Heathrow Express to Moorgate via an upgraded north side of the Metropolitan and Circle Lines. The scheme would connect

the City to Heathrow with competitive journey times to the alternatives of taxi, bus or other tube lines;

* Leytonstone Link of Jubilee Line and Central Line to provide relief to the Central Line in the east through direct access to the West End via the Jubilee Line;

* Slough to Barking services via the north of the Metropolitan and Circle Lines providing the east-west through connection and the possibility of extensions to Reading/Rainham. The scheme requires the diversion of the Hammersmith and City Lines into the Bakerloo Line at Paddington;

* Wimbledon Line link to the Central Line from Fulham Broadway to Holland Park via Olympia. The scheme would relieve pressure on the Metropolitan and Circle Lines by removing the Wimbledon services currently terminating at Edgware Road. Additional benefits of relief at Earls Court and direct, through services to Olympia and the West End are also provided;

* A link at Kilburn from the Metropolitan Line to Thameslink would provide an alternative route from the north west to the City and relief to the Metropolitan and Circle Lines between Baker Street and Farringdon.

The preliminary analysis has indicated that the cost of the schemes are all within the £100 million to £300 million range (except the Eastern City Link) and that private sector finance could be attracted to some of the schemes with varying public sector contributions. However, it is accepted that it is only possible to give indicative results at this stage and that detailed work is required to assess the full cost and implications of schemes and that an assessment, from which choices could be made, would require further study.

1.5 Conclusion

In conclusion, the study team believes that CrossRail is a visionary project which may be ahead of its time in view of the change in employment and commuting patterns in Central London. As a public sector project, the scheme could be brought to fruition in a shorter timescale than as a public/private sector joint venture. However, a delay to assess future trends and to identify the proper transfer of risk to the private sector would be appropriate if the project is to be a joint venture achieving value for money for the public sector contribution.

Whether the CrossRail project is delayed or goes ahead, other investment in the London Underground network should be considered.

CENTRAL LONDON EMPLOYMENT & PEAK HOUR PASSENGER ARRIVALS

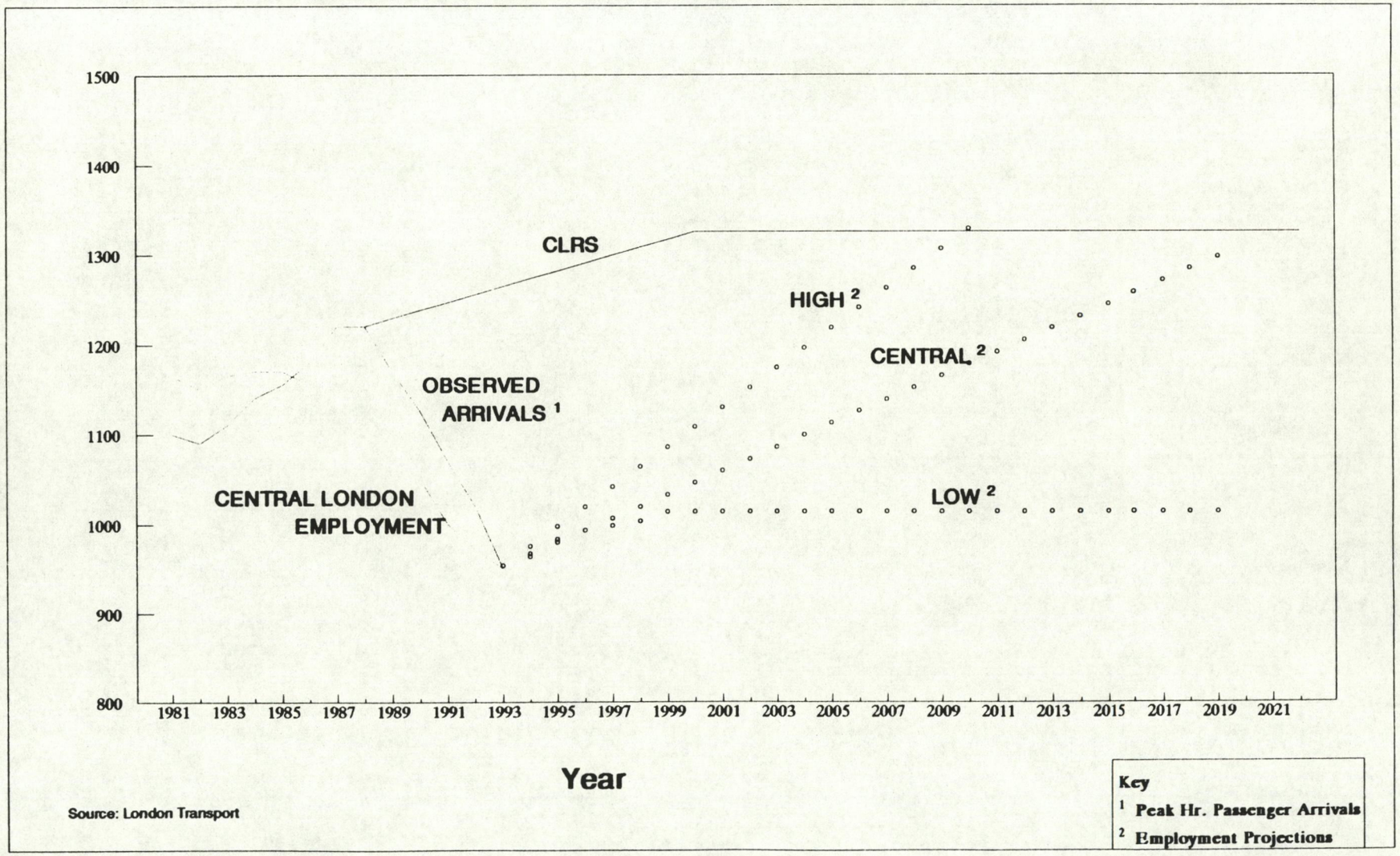

Figure 1.1

People entering Central London between 0700 and 1000

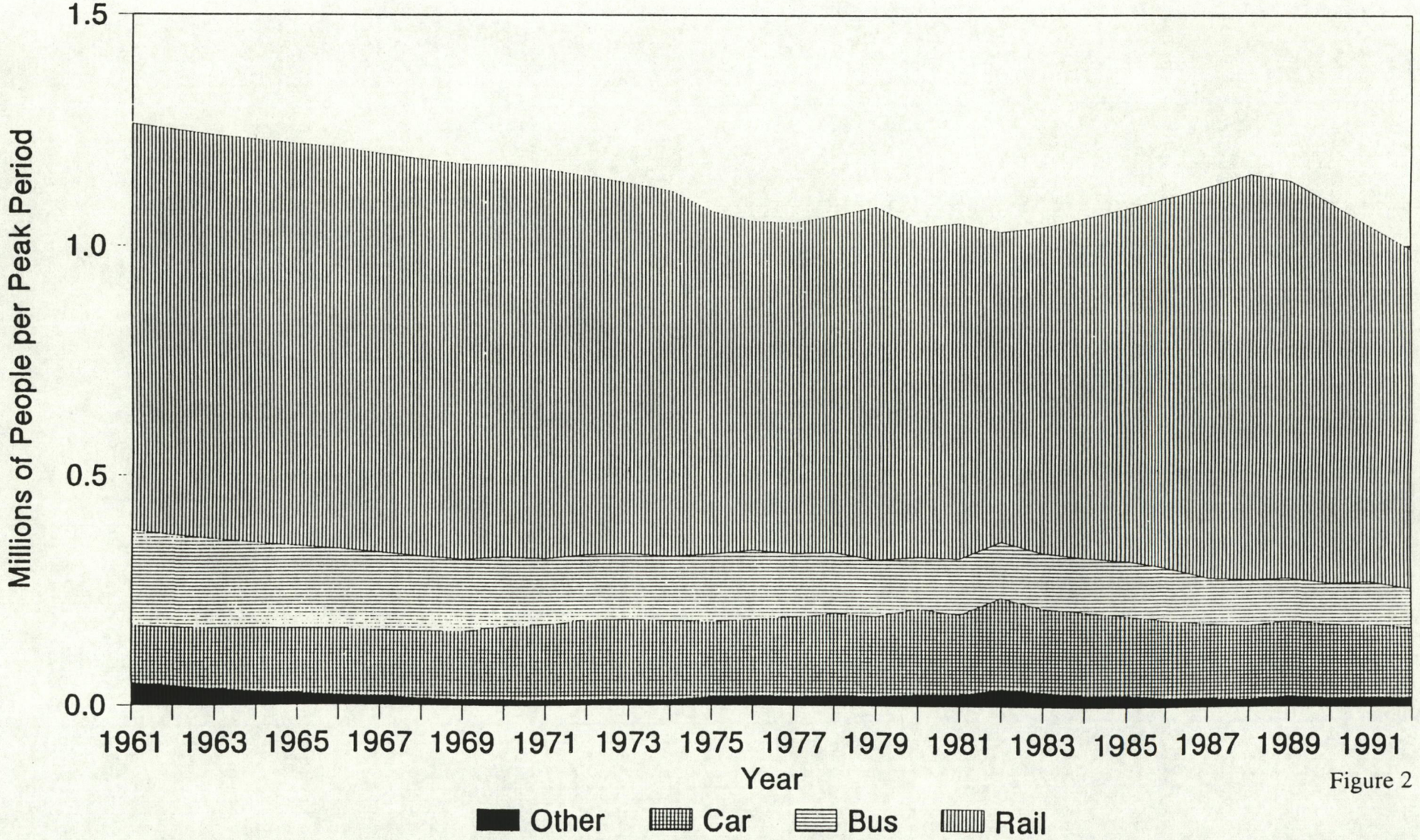

Figure 2

Source: Steer, Davies, Gleave:CrossRail Bill Proof of Evidence

ANNEX D

PROJECT	Cost £m[1]	Benefit -Cost ratio	Timing: opening date	Operational feasibility	Legislative requirements
Crossrail options:					
"Full Crossrail"	£2660m	1.2:1	Earliest possible date: 2001. Demand forecasts (and therefore the extent of private sector interest) crucial to the timing of construction.	Not in dispute	Either retain Private Bill or adopt Hybrid Bill instead. Too complex to be suitable for TWA procedures.
"Reduced Crossrail"	£2250m	1.4:1	Not significantly different from "Full Crossrail"	Not in dispute	Same as "Full Crossrail" above
Alternative options:					
Eastern City Link	£575m	Not yet quantified	Earliest possible date: April 2001	Cost effectiveness very doubtful	TWA order
Heathrow Express to Moorgate	£125m	Not yet quantified	Earliest possible date: April 1999	Further study required	Planning permission only - TWA order probably not needed
Leytonstone Link	£120m	Not yet quantified	Earliest possible date: 1999	Further study required	TWA order probably not needed
Slough-Barking	£260m	Not yet quantified	Earliest possible date: 1999	Further study required	TWA order
Wimbledon-Central Line	£140m	Not yet quantified	Earliest possible date: 1999	Further study required	TWA order
Kilburn Link	£160m	Not yet quantified	Earliest possible date: 1999	Further study required	TWA order

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1. All cost figures are Bovis-Gibb's estimates.

The cost estimates in each case include some costs which LT/BR believe they would incur even if Crossrail did not go ahead: mainly the costs of rolling stock.

All costs in £m at November 1993 levels.

POLICY IN CONFIDENCE

81

cc Mr Owen
Mr Bird
Mr Betts

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref: J/F/PSO/405/94
J/PSO/469/94

Your ref:

19 JAN 1994

The Rt Hon John Gummer MP
Secretary of State for the Environment
2 Marsham Street
LONDON
SW1P 3EB

CABINET OFFICE
P 11385
19 JAN 1994
FILING INSTRUCTIONS
FILE No. RIN/9

19 JAN 1994
LORD PRIVY SEAL

CHANNEL TUNNEL RAIL LINK

Thank you for your letters of 10 and 12 January.

Taking your 10 January letter first, I am grateful for your support for my proposals for the route. I must also acknowledge the valuable contribution made by your officials to the preparation of the advice enabling us to reach these decisions.

Property Purchase

I acknowledge your concern about the impact on people's homes in areas such as Barking and Mardyke Park. I propose to announce a modest extension to property purchase policy, to the effect that Union Railways will additionally consider purchase, in cases of hardship, of any off-lying property for which noise is predicted to exceed the proposed threshold for nosie insulation. This will go some way to alleviate the impact at Barking (though we shall still face severe criticism there); but I am afraid it will do nothing for Mardyke Park where, despite improved mitigation proposals, the opposition will continue to be intense. We must expect a rough ride for both these route sections in the Hybrid Bill, with the risk of reversals in Committee; but I am not persuaded of the need to go for a tunnel at Barking or to shift the viaduct at Mardyke Park.

Intermediate stations

You commented on intermediate stations in both your letters. I welcome your agreement to what I propose to say on Stratford. With regard to Rainham and Ebbsfleet, I would prefer to keep both these options in play; you will have seen that this is also Ken Clarke's view. If we dropped Rainham now we would have no negotiating leverage over the intermediate station promoters, apart from the frankly implausible threat of abandoning any prospect of an intermediate station. I think this is a position that we should avoid.

You ask whether I intend to safeguard land at intermediate station sites. Except for the short box at Stratford (which will be needed for the operation of the line) I do not. Safeguarding would not be appropriate pending our final choice of intermediate station, and is, in any case, not needed given that the landowners are keen to see that the stations are built.

In the context of the joint venture competition, I am reluctant to introduce further complications into what is already going to be a very complex and difficult competition. I should therefore prefer simply to require tenders to provide for at least one of the intermediate stations, and to allow the tenderers to come forward with proposals for whichever station or combination of stations they prefer.

I do agree about the need to be careful in presenting the point about who is to be responsible for taking forward the station(s) finally chosen; I intend to make it clear that "Promoco" should work in close collaboration, or partnership if they prefer, with the relevant station promoter group(s).

Code of Construction Practice

I agree that there will need to be a Code of Construction Practice. My proposal is simply that we should not lay down its terms in the tender documents, but that the chosen promoter should develop it in conjunction with our officials. I envisage that it would feature as part of the memorandum of understanding which my officials have proposed to yours should be available to local authorities as an alternative to the General Development Order provisions.

BR Property

Finally, on BR property issues, I can reassure you that the railway lands at Stratford are specifically covered in the proposals I have put to Sir Bob Reid about the lands which Union Railways will require; and that the powers available to me under the Railways Act 1993 are sufficient to ensure that the BR land needed for the long box can be secured if necessary.

I am copying this letter to the Prime Minister, Ken Clarke, Michael Heseltine, John Wakeham, Tony Newton and Richard Ryder.

Yours ever

JC

JOHN MACGREGOR

80

KO909

FROM: R BIRD
DATE: 19 January 1994

R14/7

cc: Mr Owen
Mr Maclean
Mr Niven
Mr Sandall
Mr Sandeman
Mr Betts
Mr Ollard

MRS BAILEY

CROSSRAIL

The Lord Privy Seal is attending the Prime Minister's meeting on Crossrail at 5.15 pm on 20 January. Mr Clarke, Mr MacGregor, Mr Gummer and a DTI Minister will also be attending.

2. The main document under discussion is the Cabinet Office options note (Melanie Leech's letter of 19 January to Mary Francis). The Lord Privy Seal may also like to glance at recent Ministerial correspondence on Crossrail (copies attached).

3. Of the 5 options identified, option IV (continuing with a private Bill but examining alternative options) and option V (delaying the Bill until further assessment of alternative options is complete) can probably be discarded rapidly because there is a substantial risk in each case that the Crossrail private Bill will be lost. Discussion is therefore likely to focus on options I to III.

4. The Transport Secretary's key argument is that proceeding with the Crossrail Bill does not commit the Government to building Crossrail, or to any particular timescale. That depends critically on the availability of private finance. The Chancellor on the other hand thinks that the drop in London employment means that the private sector will not be interested in a high cost project such as Crossrail which therefore ought to be abandoned now in favour of some cheaper alternatives identified by consultants (although the cost and

operational feasibility of these has yet to be firmly established).

5. It is possible there may be some interest in option III (withdrawing the Bill but making firm commitments to introduce a hybrid Bill following further studies). At the Prime Minister's last meeting on Crossrail in May it was recognised that a hybrid Bill might be required should the Crossrail Bill run into trouble. The Lord Privy Seal might like to glance at the Cabinet Office note prepared for that meeting.

R BIRD

A 520
13 JAN
FILING INSTRUCTIONS
FILE No.

CONFIDENTIAL

PRIME MINISTER

c - Mr Bird

CROSSRAIL

I have seen the note John MacGregor sent you on 11 January and, although I was not on the original copy list, Ken Clarke's letter of 10 January to John.

2 I strongly support John's line on this. If we withdraw the CrossRail Bill now it will ensure the collapse of private sector interest in the project. The recent study confirms the benefits of CrossRail. Against this background, and our repeated commitment to CrossRail, we should be seeking to encourage the private sector to become involved in it. CrossRail should be an attractive part of the Private Finance Initiative. To withdraw the Bill now would bring into question our very commitment to the Initiative.

3 My Department's competitiveness report noted the importance of infrastructure projects like CrossRail. They are essential to preserve London's international competitive position and all the benefits this brings the UK. We need to have this in our minds in considering the next steps in projects of this nature.

4 I am sending copies of this minute to Ken Clarke, John MacGregor and John Gummer, and to Sir Robin Butler.

M H
13 January 1994

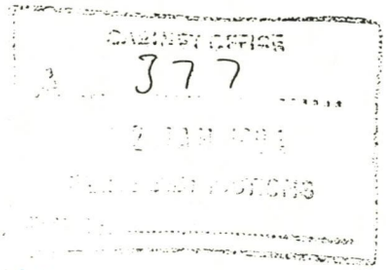
DEPARTMENT OF TRADE AND INDUSTRY JW1025

CONFIDENTIAL

dti
the department for Enterprise

CONFIDENTIAL





PRIME MINISTER

C. Mr Owen
Mr Bird

CROSSRAIL

You have seen Ken Clarke's letter to me of 10 January, in which he says that it would be foolish in the extreme to carry on with the Crossrail Bill, which is due to return to its Committee on 25 January. I disagree strongly with Ken's view.

2. You are familiar with the background to this. Our Manifesto committed us to Crossrail, and you repeated your personal commitment to the scheme in a speech to the CBI last May. We had decided in March that Crossrail should go ahead as a joint venture: the studies by Bechtel and Warburgs confirmed that there was a sound basis for this, and that the scheme was well-conceived in engineering terms. At the meeting which you chaired on 18 May, we agreed that the Bill should go ahead unless further work showed that it would inhibit otherwise achievable cost savings.

3. That work, undertaken for us by the operators and Bovis-Gibb, has provided no such indication. On the contrary, they agree with their predecessors - Scott Wilson Kirkpatrick, and Bechtel - in validating the design and engineering of Crossrail, and its cost estimates. They have identified a programme of new engineering work which should yield savings over the coming months, as the design is refined and which is in no way inhibited by the Bill; in addition, involvement of the private sector more directly in the project may be expected to drive the estimates down further. I deal briefly with the costs below.

4. Ken argues that the economic case for Crossrail has collapsed, because the forecasts of demand are "wildly over-stated". While it is true that the Central London Rail Study forecasts of employment in London have so far failed to materialise, we must be wary of inferring from this that there will be inadequate demand for Crossrail. Even modest growth from today's depressed levels of employment would yield a healthy benefit:cost ratio for Crossrail; nor should we ignore the benefits to existing rail network users. The operators have calculated that over 70% of the potential demand is using the system already and that net benefits of £230m could be captured immediately. Forecasts of demand are notoriously difficult to

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make with any accuracy: repeated experience of major transport schemes - including RER in Paris and our own Victoria Line and Thameslink, not to mention the M25 - shows that models have a long history of seriously underestimating the demand for good new transport links. From a political point of view, it would be little short of disastrous to justify withdrawal from Crossrail on the grounds of inadequate future demand. To do so would imply little confidence either in our own economic policies and predictions of recovery, or in London's prospects as a "world city".

5. The figure of £3bn which Ken mentions is the total cost of the full Crossrail scheme at today's prices, and rounded up a little. The railway operators have now identified a reduced scheme, endorsed by our consultants, which would cost £2.5bn at today's prices. Nat West Markets, who have been advising the operators, believe (as did Warburgs) that it should be possible to cover half of this from private sector investment, with a healthy return (over 20% nominal IRR), and with a positive return also to the public sector share.

6. <u>This makes Crossrail a highly credible joint venture</u>. It does not bear out Ken's description of the scheme - a heavily-engineered project, involving tunnelling under densely built-up parts of London - as "hugely expensive". The options which our consultants have identified, and to which Ken refers in his letter, would almost all provide a degree of congestion relief. But they fall far short of being credible alternatives to Crossrail. They are no more than a poor second best, which no one - least of all the City - would see as coming near to meeting our Manifesto commitment to "East-West Crossrail, linking Paddington to Liverpool Street". In addition, the operators have seriously challenged the feasibility and cost of these options, knowing all too well how easy it is to underestimate costs at such an early stage and how difficult it is to operate reliable services through so many junctions.

7. Abandoning the Crossrail Bill would undoubtedly deal a serious blow to the credibility of our private finance initiative (PFI) and would sour the atmosphere for carrying forward the Channel Tunnel Rail Link and other transport projects. The logic of our approach to the PFI, which I wholeheartedly support, is to test the market by seeing what private sector partners we can attract to undertake joint ventures with us, and on what terms. <u>Unless we secure the powers which the Crossrail Bill will give us, there can be no prospect of arousing private sector interest:</u>

we will have burned our bridges. Once we have those powers, we can get a feel for such interest, and for the timescale to which it is geared. Ken may be right in supposing that we will have to wait some time for private finance to be available on sensible terms; but he may well not be. City enthusiasm suggests there will be many who take the contrary view. The only way to find out is by testing the water, and the only way to do that is by letting the Bill proceed.

8. I have outlined the key political dangers to us of abandoning the Crossrail Bill. I can see no offsetting advantages. Proceeding with the Bill entails no additional public expenditure for the foreseeable future, beyond the limited provision which we have already made to cover the cost of taking it through Parliament. Nor does it commit us to a timescale for construction: this will only go ahead if and when the private sector can raise a significant proportion of the necessary funds, after Royal Assent, on terms which meet our requirements for joint ventures.

9. If we have the Bill withdrawn, it will be seen as the death-knell for Crossrail. The political price, as I have indicated, would be immensely high, not least taking into account the forthcoming local and European elections. We should be perceived as reneging on a key Manifesto promise to which the CBI, London First and the business community attach great importance. The City and the media would see it as a body-blow to the City. Our own confidence in our economic policies and in the PFI would be severely impugned. We agreed at your meeting last year that the only reason for withdrawing the Bill would be if it inhibited cost savings on the project. Repeated studies have shown that it will not do so, and I see every reason for abiding by our decision to let the Bill proceed.

10. I am copying this minute to Ken Clarke, Michael Heseltine and John Gummer, and to Sir Robin Butler.

JM

JOHN MACGREGOR

11 JAN 1994

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref: J/PSO/486/94

Your ref:

14 JAN 1994

a Mr Neer
no Scotch
Mr Bette

Relevant to the room meeting. NB 12/1

Mrs Mary Francis
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

K 4285
17 JAN 1994
FILING INSTRUCTIONS
FILE No.

Dear Mary

CROSSRAIL

Thank you for your letter of 12 January. Officials here are in touch with Cabinet Office to assist in preparing the paper.

You asked for advice on whether decisions need to be taken before the meeting of the Bill Committee on 25 January. The recent timetable of the Committee may help.

Second Reading took place on 8 June. The Committee met for the first time in July and adjourned until October; they were reluctant to grant the further adjournment which had to be requested in October, and they made it clear that they expected us to be ready on 25 January. ('The patience of the Committee is not inexhaustible' the Chairman said.) The promoters are meeting petitioners on 18 January, a week before the Committee reconvenes. My Secretary of State has warned the BR and LT Chairmen that a decision may well not have been taken by then. This will itself lead to considerable criticism, but our position would be impossible to defend if on 25 January, three months after the October adjournment, we still had to admit that the Government was unable to come to a decision. There is every probability that the Committee would throw the Bill out.

I am copying this letter to Nick Macpherson (HM Treasury), Peter Smith (DTI), Alan Riddell (DOE), Melanie Leech and Richard Bird (Cabinet Office).

Yours sincerely

Paul Coby

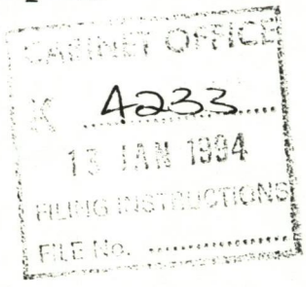
PAUL COBY
Private Secretary

CONFIDENTIAL

Treasury Chambers, Parliament Street, London, SW1P 3AG
071-270 5000

10 January 1994

Rt Hon John MacGregor OBE MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB



cc Chief Secretary
Financial Secretary
Sir T Burns
Mr Turnbull
Mr Robson
Mr C W Kelly
Mr I Wilson
Mr Wynn Owen
Mr Parsonage
Mr Rutnam
Ms Longman
Mrs Keswick
Mr Ruffley

Dear Secretary of State

CROSSRAIL

My officials have briefed me on the work done by the consultants reviewing this project. As you know, the key aim of the study was to find out whether there were more cost effective ways of delivering benefits for passengers in London than by building Crossrail.

The consultants have done a good job in the time available. They have identified very clearly a range of projects which would be much more cost effective than Crossrail. These projects would deliver many of the same benefits as the full Crossrail scheme, but for a fraction of the cost. They would be more affordable, more suitable for private finance and could be implemented sooner.

I think that the time has come to reconsider our strategy for Crossrail. The project designed by LT and BR is hugely expensive (£3 billion in 1993 prices). The economic case for it has collapsed, as the forecasts of demand on which the project depends have proved to be wildly over-stated. And the consultants are clear that private finance for the project could not be attracted on anything like sensible terms for another 10 or maybe 20 years.

Against this background, it would be foolish in the extreme to carry on as before with our commitment to the Crossrail project or with the Crossrail Bill deposited by LT. The consultants' work offers us an alternative strategy which would be better for the taxpayer and for the future of London. This is to adopt a selection of the schemes put forward by the consultants, work them

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up into a realistic and affordable package of improvements to London's infrastructure, and then implement them, using private finance wherever we can.

More work can be done to decide which schemes we should choose. But at first sight I think that the following ones are particularly attractive:

- a link from Heathrow to the City, using the existing tunnels from Paddington to Moorgate; this could offer four through trains an hour, with a maximum journey time of 35 minutes, at a cost of £125 million;

- new trains across London from Slough to Barking, again using existing tunnels; this would be very similar to the service in Crossrail, but at a fraction of the cost (£260 million); it would link places like Slough and Hayes directly with the City, and could be extended to Reading in the west and Rainham in the east; that would also help our East Thames Corridor objectives;

- maybe one or other of the alternative schemes, such as improvements to the Wimbledon branch of the District Line or a small change to the JLE to link it to the Central Line, so that the JLE can take passengers from places like Epping to the West End.

We need to put together a package of these schemes, selected to choose the best that we can afford within a realistic timescale. We can then get on with implementation, using private finance wherever possible.

This strategy would allow us to bring real benefits to passengers in the sort of timescale which matters. If we carry on with Crossrail as now, this simply will not happen. My own view is that Crossrail may never be affordable. But even if it is, we will have to wait at least 10 years for private finance to be available on sensible terms, and longer still for any benefits from the project. I cannot emphasise strongly enough that I think this is the wrong approach on both political and economic grounds.

I am copying this letter to the Prime Minister.

Yours sincerely

Ken Clarke

KENNETH CLARKE

(Approved by the Chancellor & signed in his absence abroad)

17

Mr. Sienkiewicz

cc PS/Mr. Curry
PS/Sir G. Young
PS/Mr. Baldry
PS/Perm. Sec.
Miss Turton
Mr. Beesley
Mr. Ash
Mr. McDonald
Ms. Bridges
Mr. Zetter
Mr. Ballard
Mr. Donaldson
Mr. Gray
Mr. McCarthy
Ms. Heather
Mr. Riddell

PRIME MINISTER

CROSSRAIL

I have seen John MacGregor's and Ken Clarke's letters about Crossrail. I strongly support the case for continuing with the Crossrail Bill, all the more so since the current consultants concur with their predecessors, Bechtel and Warburg, in validating the design and engineering of Crossrail.

It is clearly right that we should satisfy ourselves on issues of cost effectiveness and investment attractiveness to the private sector. This I believe we have done. There is, however, the equally important third dimension of regenerating and reinforcing the role of London as a World City and Financial Centre. Our policies are clearly directed to this end. Crossrail mirrors London's principal regeneration axis. It links all the key building blocks - Heathrow, the West London Corridor, Park Royal, the West End, the City and Stratford. The latter is of course a pivot in the regeneration of the Lea Valley, the LDDC and the East Thames Corridor. In this context you will know the importance I attach to keeping open the option of the long box at Stratford on the CTRL.

Any unnecessary reduction of our support for Crossrail or, worse, its postponement, will not only cast doubt on the efficacy of our policies for London but also our attachment to the Capital's future role and prosperity. I agree with John MacGregor's view that the alternative schemes proposed by the consultants are "a poor second best". They certainly offer minimal regenerative benefit when compared with Crossrail. Both these points would no doubt be seized upon by the City of London, the media and the business community. I have already received a number of forceful letters from London interests following the recent press reports.

[redacted]

CONFIDENTIAL

I understand that you have requested the Cabinet Office to prepare a paper evaluating the position. I would be grateful if I could be closely involved in further work and meetings on Crossrail.

I am copying this to Ken Clarke, John MacGregor and Michael Heseltine.

JSG

17 January 1994

052/05/A

Mr Niven

In magazine
To see &
return file
NDM
17/5

PRIVY COUNCIL OFFICE
WHITEHALL. LONDON SW1A 2AT

42

17 May 1993

CABINET OFFICE
K 2150
17 MAY 1993
FILING INSTRUCTIONS
FILE No. R14/7

Dear Mary

CROSSRAIL

... I attach a note setting out the options for the Parliamentary and procedural handling of the Crossrail project. The note, which has been approved by the Lord President, has been prepared by the Cabinet Office in consultation with the House authorities and with the Treasury and Department of Transport.

The Lord President hopes that it will be a useful input to forthcoming decisions about the future of the project.

I am copying this to Jeremy Heywood (Treasury), Paul Coby (Transport), Murdo Maclean (Chief Whip's Office), Melanie Leech (Sir Robin Butler's Office) and Richard Bird and Alan Sandall (Cabinet Office).

Yours sincerely

Jeremy Sandeman

D SANDEMAN
Principal Private Secretary

cc Mr Owen Mr Niven
Mr Galloway Miss Turnbull

Mrs Mary Francis
PS/Prime Minister
10 Downing Street
LONDON SW1

NOTE BY THE CABINET OFFICE

CROSSRAIL

1. The purpose of this note is to offer advice on the various ways in which the powers needed for the Crossrail project might be secured.

2. Four procedures are discussed:

(i) the current private bill;
(ii) a new private bill to be deposited next Session;
(iii) an order under the Transport and Works Act 1992;
(iv) a hybrid bill.

The current private bill

3. The current Crossrail Bill was deposited in November 1991 and, in common with all other private bills, was carried over at the Dissolution. The Bill has not yet had a second reading. Its further progress also depends on securing a favourable decision from the Standing Orders Committee on the petition for additional provision, deposited earlier this year, which seeks authorization for further extensive works.

4. Although the attitude of the Standing Orders Committee is difficult to predict, as the Committee contains a number of members noted for their independent outlook, the possibility that its decision may go against the Bill cannot be discounted. The Committee may be influenced by the following considerations:

(i) the time which elapsed between the deposit of the petition for the Bill in November 1991 and the deposit of the petition for additional provision in January 1993;

(ii) the extent of the additional works proposed;

(iii) the fact that most of the additional provisions are extra powers sought by the promoters, rather than concessions to petitioners against the Bill.

In the event of an unfavourable decision the Bill would effectively be lost unless the promoters were prepared to forgo the additional works.

5. The Bill cannot complete all its stages this Session and would therefore need to be carried over a second time. The Chairman of Ways and Means is most unlikely to move the necessary motion unless the Bill had got into Committee. That would require second reading by mid-June at the very latest.

6. A debate at 7 o'clock on Monday 14 June or Tuesday 15 June could be announced by the Chairman (and be repeated in the business statement) on Thursday 10 June. The Ways and Means Office would need to know by the close on Wednesday 9 June (i) from the agents for the Bill, that they wanted time for a debate, and (ii) from the Whips, that time was available on either the Monday or the Tuesday. This would of course need a policy decision to proceed with the Bill, and the necessary consultation with the business managers, somewhat earlier than 9 June.

7. If the Bill is proceeded with, LT believes that it could receive Royal Assent by the summer of 1995. Recent experience with a comparable works bill suggests that it might not receive Royal Assent until some time in 1996.

8. If -

(i) a decision were taken not to proceed with the scheme for which this Bill has been promoted, or

(ii) no decision were taken in time, or

(iii) the Standing Orders Committee were to refuse leave to proceed with the additional provision,

one of the other methods would have to be employed.

A new private bill

9. The possibility of depositing a fresh petition for a private bill in November 1993 can be dismissed out of hand. The whole point of the Transport and Works Act 1992, enacted after the original petition was deposited, was to provide a non-parliamentary route - which Parliament expects promoters to use - by which powers of this kind could be obtained.

An order under the Transport and Works Act 1992

10. The Transport and Works Act 1992 (TWA) gives the Secretary of State power to make orders to permit the construction of railways and other works. The Act, and delegated legislation made under it, provides for applicants to submit draft orders to the Secretary of State, for objections to be made, and for the holding of a public inquiry. The Secretary of State may make the order applied for, refuse it, or make it with modifications.

11. Section 9 of the Act applies to "proposals which in the opinion of the Secretary of Stage are of national significance". In such cases, the Secretary of State cannot make the order unless both Houses have, before the public inquiry, agreed to a resolution to approve the proposals for which the order is sought. The Secretary of State may not subsequently make an order inconsistent with the resolution, but he may refuse to make an order, and he may seek a further resolution to approve modifications of the proposals.

12. The Crossrail project has been discussed as a candidate for this procedure. Lord Brabazon of Tara, replying for the Government to the second reading debate in the Lords on the Transport and Works Bill, said that Crossrail

> "is an example of the type of Bill which might very well be dealt with under the procedure. I suggest that it would be the sort of scheme on which Clause 9 would have effect. There would be parliamentary approval in principle for such a large scheme." [HL Deb, c.1534, 13 March 1992]

13. At that time Crossrail was envisaged as a purely public sector project. The Department of Transport's present view is understood to be that the TWA procedures would be too lengthy to be acceptable to potential private sector partners. The Department's assessment is that the TWA procedures might not be completed before 2001 (2002 if a competition were held to define the project before an order were applied for). For this purpose the Department has assumed that the time required for objections, for the public inquiry and the Inspector's report, and for the Secretary of State's decision, would be above average, but that the decision would not be challenged in the High Court.

A hybrid bill

14. A hybrid bill is a public bill which affects private interests. A hybrid bill for Crossrail would not be promoted by LT and BR, but introduced by the Government as a measure of public policy.

15. Before second reading the Examiners of Petitions would need to be satisfied that the Private Business Standing Orders relating to notices etc had been complied with in respect of the Bill. After second reading the Bill would be committed to a Select Committee, which closely resembles a committee on an opposed private bill, except that the Select Committee would be concerned solely with the petitions against the bill, not with the wider question of whether the bill was expedient. Once reported from the Select Committee, the Bill would be re-committed, usually to a Standing Committee, and would thereafter be proceeded with as a public bill. A similar procedure would be followed in the second House. Hybrid bills have been carried over from one Session to the next.

16. Such a bill would require Government time for second reading and remaining stages. It would also require a small group of Members to sit in a Select Committee for weeks on end hearing petitioners. It was precisely because the House found this intolerable in the 1980s that the Joint Committee on Private Bill Procedure was set up; the TWA was the eventual outcome. Prolonged Committee proceedings may still have to be endured in

cases where a TWA order is not available, but in other cases an attempt to use the Parliamentary route is certain to attract criticism.

17. One hybrid bill for a major construction project (the Channel Tunnel rail link (CTRL)) is already planned for next Session. There would be considerable practical Parliamentary difficulties in dealing with two such bills, each involving lengthy Select Committee proceedings, at the same time. If the CTRL Bill is introduced as currently planned in Spring 1994 a hybrid Crossrail Bill might need to be delayed until the end of 1994. The Bill could be expected to take two Sessions to reach Royal Assent. That suggests Royal Assent in late 1996 at the earliest. This would of course depend on the necessary time being made available in the Government's legislative programme in the 1994/95, 1995/96 and (probably) 1996/97 Sessions. (The hybrid Channel Tunnel Bill took up a total of 11 days of Lords and Commons time during its passage).

Conclusions

18. (a) A decision on whether or not to proceed immediately with the second reading of the current private bill needs to be taken by Wednesday 9 June at the latest if the Bill is not to fall.

(b) Even if the Bill does proceed there is a possibility that the Standing Orders Committee may refuse the promoters leave to proceed with certain key amendments, in which case the Bill would also fall.

(c) Proceeding with the current private bill is likely to be the quickest way of achieving the necessary powers for the present scheme, although the Bill may not receive Royal Assent until 1996.

(d) Proceeding by way of a hybrid bill introduced in late 1994 might result in the necessary powers being secured

within a few months of the private bill route; but this would mean a substantial commitment of Government legislative time.

(e) Using the Transport and Works Act inquiry procedure may well take 5 years longer than either of the other routes.

CABINET OFFICE

14 May 1993

POLICY IN CONFIDENCE

79

cc MR OWEN
MR BIRD
MR BETTS

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref: J/F/PSO/405/94
Your ref: J/PSO/469/94

19 JAN 1994

The Rt Hon John Gummer MP
Secretary of State for the Environment
2 Marsham Street
LONDON
SW1P 3EB

CABINET OFFICE
F 4681
19 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

19 JAN 1994
LORD PRIVY SEAL

CHANNEL TUNNEL RAIL LINK

Thank you for your letters of 10 and 12 January.

Taking your 10 January letter first, I am grateful for your support for my proposals for the route. I must also acknowledge the valuable contribution made by your officials to the preparation of the advice enabling us to reach these decisions.

Property Purchase

I acknowledge your concern about the impact on people's homes in areas such as Barking and Mardyke Park. I propose to announce a modest extension to property purchase policy, to the effect that Union Railways will additionally consider purchase, in cases of hardship, of any off-lying property for which noise is predicted to exceed the proposed threshold for nosie insulation. This will go some way to alleviate the impact at Barking (though we shall still face severe criticism there); but I am afraid it will do nothing for Mardyke Park where, despite improved mitigation proposals, the opposition will continue to be intense. We must expect a rough ride for both these route sections in the Hybrid Bill, with the risk of reversals in Committee; but I am not persuaded of the need to go for a tunnel at Barking or to shift the viaduct at Mardyke Park.

Intermediate stations

You commented on intermediate stations in both your letters. I welcome your agreement to what I propose to say on Stratford. With regard to Rainham and Ebbsfleet, I would prefer to keep both these options in play; you will have seen that this is also Ken Clarke's view. If we dropped Rainham now we would have no negotiating leverage over the intermediate station promoters, apart from the frankly implausible threat of abandoning any prospect of an intermediate station. I think this is a position that we should avoid.

You ask whether I intend to safeguard land at intermediate station sites. Except for the short box at Stratford (which will be needed for the operation of the line) I do not. Safeguarding would not be appropriate pending our final choice of intermediate station, and is, in any case, not needed given that the landowners are keen to see that the stations are built.

In the context of the joint venture competition, I am reluctant to introduce further complications into what is already going to be a very complex and difficult competition. I should therefore prefer simply to require tenders to provide for at least one of the intermediate stations, and to allow the tenderers to come forward with proposals for whichever station or combination of stations they prefer.

I do agree about the need to be careful in presenting the point about who is to be responsible for taking forward the station(s) finally chosen; I intend to make it clear that "Promoco" should work in close collaboration, or partnership if they prefer, with the relevant station promoter group(s).

Code of Construction Practice

I agree that there will need to be a Code of Construction Practice. My proposal is simply that we should not lay down its terms in the tender documents, but that the chosen promoter should develop it in conjunction with our officials. I envisage that it would feature as part of the memorandum of understanding which my officials have proposed to yours should be available to local authorities as an alternative to the General Development Order provisions.

BR Property

Finally, on BR property issues, I can reassure you that the railway lands at Stratford are specifically covered in the proposals I have put to Sir Bob Reid about the lands which Union Railways will require; and that the powers available to me under the Railways Act 1993 are sufficient to ensure that the BR land needed for the long box can be secured if necessary.

I am copying this letter to the Prime Minister, Ken Clarke, Michael Heseltine, John Wakeham, Tony Newton and Richard Ryder.

Yours ever

JC

JOHN MACGREGOR

a Mr Betts

78

CABINET OFFICE
K 4312
18 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

10 DOWNING STREET
LONDON SW1A 2AA

CONFIDENTIAL

18 January 1994

Richard Bird Esq
Cabinet Office
70 Whitehall
LONDON SW1

Dear Richard,

CROSSRAIL

Very many thanks for copying me your letter of 18 January. Can I congratulate you and Jim Betts for your amazing efforts at producing such a clear paper at such short notice. I hope it remains as clear and concise when both sides have had a go at it.

Turning to substance, one of the arguments put by Treasury officials at yesterday's meeting was that, as I understood it, proceeding with Crossrail would give the Private Finance initiative a bad name because it would be a lemon. Conversely, pulling Crossrail now and focusing instead on the alternative projects would give added momentum to the Private Finance initiative because realistic and affordable were more likely to be carried forward within a relatively quick timescale. I think that in that context it is quite interesting to mention the views of the Chancellor's Private Finance Adviser, Sir Alastair Morton, that it is important for the initiative for Crossrail to proceed. Do you think you might be able to reflect that view in the paper. Or do the Treasury interpret Sir Alastair Morton's letter differently?

On timing (as mentioned in paragraph 13), I am not quite sure about the duration of powers under the Private Bill. If we go through the process of enacting a Private Bill, but the private sector decides it does not want to operate Crossrail until 2010, would the powers that promoters are now seeking still be extant or not?

Only extended.

CONFIDENTIAL

Turning to your Options, I would have thought that you could offer Treasury the "advantage" of earlier transport benefits. But I wonder whether their schemes would be more disruptive to existing passengers during construction than the Crossrail scheme? Should we mention that as a disadvantage?

No. All suffer from this.

In the "disadvantages" you say that the benefits of Crossrail would be lost "irrevocably". That is not my reading of the consultants report which seems to suggest that the optimum strategy might be to do the quick fixes now, and keep Crossrail back for the longer term when we can form a better view of employment growth and also traffic trends within London.

I would have thought that it would not be sufficient for the Treasury employ to work for there simply to be one viable scheme. I think it would have to be one of the most "Crossrail-like" schemes that would need to work - notably the Slough to Barking link - for us to credibly claim that we had an alternative to Crossrail.

Surely the Secretary of State for Transport's option also gives us the option of <u>whether</u> to build Crossrail or not. Indeed, as far as I can understand the Treasury's position, their view is that it is so unlikely that the private sector will come up with the necessary cash that we should not proceed with the project because it will be denying Londoners realizable transport benefits in the interim. The DOT approach seems to be to go ahead and then see if the private sector can be engaged. But is the Treasury's real concern not that it is denying Londoners transport benefits, but that if thevate sector is not forthcoming on anything like the scale apparently envisaged by LT's and BR's advisers, they will be forced to stump up a much bigger public sector contribution to make the scheme run, because the Government will by then be so committed to it? If that really is their underlying concern, should we make that explicit and consider ways in which we could diminish that expectation if we went with the Transport Secretary's option?

If we did pursue the Transport Secretary's option for now, but private sector contributions were not forthcoming, we would still have the option of reverting to the possibilities identified by the consultants - so the problem would not be that the benefits were lost but that the benefits of these more "realistic" schemes were delayed? Should the apper say that?

CONFIDENTIAL

I would describe your option III as "abandon Private Bill pending study of alternatives, but with firm commitment to introduce if it proves the best way forward".

On option IV, should you add that this as the option recommended by the consultants?

I am not sure that option V contributes very much. If you want to keep it in, I think you need to give us a firm indication of how quickly we would need to make decisions - and what further information might be available.

I am copying this letter to Handley Stevens (DTp) and Philip Wynn Owen (HM Treasury).

Yours

JILL RUTTER

18-1-1.jr

COLIO 77

FAXED

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Economic and Domestic Affairs
and Legislation Secretariat

KO906 RIH/7

Handley Stevens Esq
Room S15/18
Department of Transport
2 Marsham Street
London SW1P 3EB

18 January 1994

Dear Handley

CROSSRAIL

Following our meeting yesterday I enclose a draft of the Cabinet Office report requested by the Prime Minister (Mary Francis' letter of 12 January).

I should be grateful for any comments, particularly to correct any factual inaccuracies. In case a Ministerial meeting has to be arranged later this week I should like to be in a position to circulate the final version of the report by close today. I should therefore be grateful for any comments by 5.00 pm today.

I am copying this to Phil Wynn Owen (HM Treasury) and to Jill Rutter (No 10 Policy Unit).

Yours

R BIRD

OPTIONS FOR CROSSRAIL PROJECT - NOTE BY CABINET OFFICE

DECISION REQUIRED

1. The Committee stage of the Crossrail Bill recommences on 25 January. A decision on whether or not to proceed with the Bill should be taken before this date to avoid the possibility of the Bill being lost by default. This note, which has been produced at the Prime Minister's request, describes recent developments and sets out possible options.

BACKGROUND

2. East-West Crossrail - a new tunnel from Liverpool Street to Paddington linking rail services in East and West London - was given the go-ahead by the ~~Government~~ Secretary of State for Transport in October 1990. The private Bill to obtain a statutory authority for the construction was deposited in Parliament in November 1991. It received Second Reading in June 1993.

3. The project was reviewed by the Prime Minister, the then Chancellor of the Exchequer and the Secretary of State for Transport at a meeting in May 1993 following studies by Bechtel and ~~Woodmac~~ Warburg. The conclusions were that the Government was committed to a Crossrail project, that the maximum available cost savings needed to be secured and that there should be substantial private sector participation. The private Bill should proceed on the understanding that cost savings would be made and private sector participation sought. The Prime Minister referred to these conclusions at his speech to the CBI dinner on 18 May (text at Annex A).

4. The reference in the Conservative Party Manifesto and recent Ministerial statements on Crossrail are set out at Annex B.

~~BOVIS/GIBB STUDY~~ ~~Bovis/Gibb Study~~ Consultants Study Bovis/Gibb Study

5. A recent study led by Bovis and Sir Alexander Gibb and Partners has reviewed Crossrail for the Government in order to establish its attractiveness to the private sector, to improve its cost effectiveness and value for money for the public sector contribution. The study team reported earlier this month (summary of findings at Annex C). The report's main conclusions were that:

~~The working also agreed~~ It was also agreed at the meeting that if it did not prove possible to accommodate the cost savings within the terms of the current private Bill, or if the Bill were to fail for some other reason, the Government should introduce a hybrid Bill replacing the private Bill.

- the Crossrail route from Liverpool Street to Paddington provides the best solution to Crossrail objectives as originally defined (an alternative via Kings Cross would cost 10% more with fewer benefits);

- cost savings, particularly reducing the number of central London stations, are feasible and should be further examined before final decisions are taken;

- employment in central London has fallen by 15/20% since original Crossrail forecasts were made. Even on a high growth forecast the level of employment originally forecast for 2001 will not now be achieved until 2010. This is likely to delay private sector interest in the scheme and the point at which a positive benefit/cost ratio is achieved for a public sector contribution;

- delaying construction of the scheme ~~to assess the~~ implications of employment growth does not necessarily mean a delay in the Bill process;

- there are other possible schemes which might provide some of the benefits of Crossrail and could be implemented earlier. However these need to be examined in more detail to assess full cost and implications.

Ministerial reaction

The Chancellor of the Exchequer's position

6. The Chancellor of the Exchequer ~~argues~~ in his letter of 10 January that the existing Crossrail project and the Bill should be abandoned. Because of the fall in employment and hence lower employment forecasts he sees no prospect of private sector involvement in Crossrail until well into next century at the earliest. The lower cost alternative projects identified by the consultants look promising for a much earlier private sector contribution, and should be taken forward as quickly as possible.

7. In his minute of 11 January the Secretary of State for Transport ~~argues~~ that £500 million cost savings to the Crossrail project can be secured. Merchant bank advice is that 50% of the project's cost could be financed by the private sector. Continuing with the Bill does not

commit the Government to authorising Crossrail. The employment and usage forecasts are uncertain and the feasibility of the alternative schemes identified by the consultants not proven, so killing off the project at this stage would not be justified. It would create severe presentational difficulties for the Government.

8. The President of the Board of Trade (13 January) and the ~~Secretary of State for the Environment (17 January)~~ have written in support of the Secretary of State for Transport's ~~line~~ position.

ASSESSMENT

Costs

9. The consultants confirmed recent cost estimates for Crossrail. The cost of the full Crossrail project is estimated at £2.6 billion at current prices. ~~This compares with~~ £1.4 billion at 1990 prices when the project was originally announced. £75 million has already been spent, mainly on project design and on preparing the private Bill. There is provision for a further £35/17/15 million to be spent over the PES period.

10. In the light of the consultants' report, ~~DOT in conjunction with~~ London Underground (LUL) and British Rail (BR) have identified cost reductions of some £350 million. This would involve cutting out 2 central London stations (Paddington and Farringdon), ~~replacing 12 car by~~ 8 car trains (but keeping open the possibility of a subsequent increase to 12 car) and some other reductions in specification. DOT are confident that these savings are robust.

11. Bovis/Gibb reckoned that ~~most of~~ the 6 alternative ~~schemes~~ which might achieve some Crossrail objectives ~~(referred to hereafter as sub-Crossrail schemes)~~ would cost between £100 million and ~~£600~~ million. LUL and BR have questioned the operational feasibility and cost effectiveness ~~of these schemes and~~ have said that some could lead to significant reductions of service for existing users.

12. It is generally agreed that the costs are uncertain until further work has been carried out. There is however no dispute that these schemes individually would be cheaper than Crossrail although the benefits in each case would also be significantly less. It is also open to question whether they could be presented, individually or in

aggregate, as genuine substitutes for Crossrail.

However the consultants report has pointed to the recent fall in employment in central London and the effect of this on demand forecasts. The timing of the availability of private finance will depend on the market view of employment prospects for London, taking account of future employment levels.

TIMING

13. The timing of the various projects under consideration depends upon a variety of factors including time taken to obtain statutory powers, availability of private and public finance (which itself depends on the cost and ~~usage~~ demand forecasts) and the length of the construction period. The earliest that the main Crossrail ~~project~~ scheme could now ~~start~~ open is 2001. This also applies to the reduced scale Crossrail project. [However because of lower employment forecasts it is very unlikely that significant private finance would be available on this timescale. The consultants' report suggests that a more realistic estimate might be 2011 at the earliest, though this depends on how employment and usage patterns develop.]

Replace by (A)

14. New statutory powers would be required for (~~4~~ at least 5 of the 6 sub-Crossrail options. The private Bill route is no longer open now that the Transport Works Act (TWA) 1992 has been enacted. Powers would therefore need to be obtained either by an ~~inquiry held~~ order made under the TWA 1992 or by a hybrid Bill. A hybrid Bill might take 18 months to 2 years, a TWA ~~inquiry~~ order probably about the same although this is less certain. Allowing just over a year for initial design and preparations, and then a further 2-3 years for construction, the earliest completion date for the sub-Crossrail options is around 1999/2000. This assumes that private finance could be secured very quickly and that public sector provision would be available right at the outset.

15. A more accurate assessment of likely timescales cannot be made until further work has been done on the projects and on the extent of private sector interest.

Implications for private Bill

16. The Crossrail Bill Committee meets on 25 January. A number of petitions have been tabled. The Committee which comprises Tony Marlow (chairman), Matthew Banks, Eric Clarke and Kenneth Purchase, is likely to decide to meet 2 days a week for at least 3 months. Were the Bill promoters not to be ready to proceed with the Bill on 25 January, it is (likely ~~quite possible~~ that the Committee would decide that the Bill should be thrown out. The most they are likely to accept is a short further

Check with AS

delay for a few days only. Petitioners might also object to any postponement and demand compensation from the promoters.

17. If the Bill is thrown out, it could not be re-introduced. If the Government subsequently decided that it did wish to pursue Crossrail, it would ~~have~~ need to introduce a ~~wholly new~~ hybrid Bill as the TWA ~~inquiry~~ order making ~~process~~ procedure is considered too cumbersome and time-consuming in this case.

18. The Government has already made it clear that the timing and precise scope of the project depends upon the availability of private finance. So if it became known that 2 stations were likely to be excluded from the Crossrail project the Bill as currently drafted could still continue. However a substantial <u>addition</u> to the project, such as replacing Tottenham Court Road station by a new station a Holborn, would almost certainly be ruled outside the scope of the Bill and additional powers would therefore have to be obtained either by a TWA inquiry or hybrid Bill.

JB check with CAS.

19. If it became known that the Government was actively considering alternatives to the Crossrail project the Bill Committee might well take the view that the Bill should not be allowed to proceed. Equally, if the Government and Bill promoters asked for a substantial delay in the Bill in order that other options should be examined, the Committee would regard it as an abuse and the Chairman of Ways and Means is almost certain to take the view that the Bill should not be carried forward to the following session.

20. If the private Bill is withdrawn or blocked, an alternative route might be to introduce a hybrid Bill in the 1994/95 session. This could achieve Royal Assent by the same time as a private Bill. On the other hand it would take up Government legislative time particularly in the 1995/96 session. Running this Bill at the same time as the Channel Tunnel Rail Link Bill (which may be introduced in the 1994/95 session) could create practical problems, though when these aspects were considered in May 1993 the Business Managers' view was that the difficulties <u>were</u> surmountable.

SUMMARY

21. At Annex D there is a summary of the above considerations for each of the Crossrail and sub-Crossrail options.

Political implications

22. The Secretary of State for Transport's assessment is that there would be a hostile reaction from the City of London, London First and other bodies promoting London and the business community if the Crossrail project were abandoned.

23. In view of the high profile of Crossrail the Secretary of State for Transport would almost certainly have to announce any decision to withdraw the Bill to the House as a whole.

OPTIONS

24. **Option I** - abandon Crossrail Bill and announce further work on the package of alternative schemes (Chancellor of the Exchequer's proposal)

Advantages

- ~~Firm commitment to project which~~ might not be built for at least 15 years, if at all
- ~~Potential substantial long term saving to the Exchequer.~~
- If results from further work on alternative schemes are positive, potential opportunity for earlier involvement of private finance and earlier realisation of some benefits of Crossrail scheme.

Disadvantages

- Strong adverse reaction from City, business etc.
- Potential transport benefits of main Crossrail scheme would be lost irrevocably.
- Message that Government assumes little if any growth in central London employment
- Risk of further criticism if viable alternative projects attractive to private sector do not emerge from further studies.

25. **Option II** - proceed with Crossrail Bill (Secretary of State for Transport's proposal)

Advantages

- Leaves open the option of whether and when to construct a project depending on employment/usage changes and private finance interest.

- No presentational problems.

Disadvantages

- Government becomes more deeply committed to project whether or not may not be realisable
- If project not eventually proceeded with, possible opportunities for short term private finance involvement in alternative sub-Crossrail options projects could be lost. lost delayed.
- Proceeding with the Bill would incur additional expenditure, which could prove abortive if the Bill is subsequently withdrawn.
- The cost incurred on Bill would be wasted if the project is ultimately abandoned.

26. **Option III** - abandon private Bill but firm commitment to introduce hybrid Bill following it further consideration. Shows Crossrail to be the preferable option

Advantages

- Allows time for alternative sub-Crossrail options to be considered in more detail without abandoning main Crossrail project.

- Hybrid Bill need take no longer than private Bill route.

Disadvantages

- Unless carefully presented, might risk be seen as Government going back on Crossrail project or delaying its progress unnecessarily.

- Possible that LUL/BR would not cooperate positively with sub-Crossrail options if main Crossrail project still in play.

- Hybrid Bill would take up Government legislative time.

27. **Option IV** - continue with private Bill but examine sub-Crossrail options.

Advantages

- Keeps options open.

- Would be easier to present as maintaining momentum on main Crossrail project.

Disadvantages

- ~~Government open to~~
- Bill Committee most unlikely to accept continuing with the Bill on this basis. Substantial risk that the Bill would be lost.
- Government open to accusation of unworthy decisions.
- Government might be vulnerable to pay petitioners' costs in the interim.

28. **Option V** - delay Bill until further assessment of sub-Crossrail options complete.

Advantages

- Would keep options open.

Disadvantages

- ~~Unless review could be carried out very speedily~~, high risk that Bill would be lost.
- Government likely to be portrayed as further delaying or even backing off ~~as backing off~~ Crossrail project.
- LUL/BR

Cabinet Office
18 January 1994

POLICY IN CONFIDENCE

cc MR OWEN
MR BIRD
MR BETTS

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref: J/PSO/442/94

Your ref:

76

The Rt Hon Tony Newton MP
Lord President of the Council
Privy Council Office
Whitehall
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SW1A 2AT

Registry

18 JAN 1994 PRIVY SEAL

18 JAN 1994

CABINET OFFICE
F 4670
19 JAN 1994
FILING INSTRUCTIONS
FILE No. R17/7

Dear Tony,

CHANNEL TUNNEL RAIL LINK

Thank you for your letter of 12 January.

I shall not, when announcing decisions on the Channel Tunnel Rail Link - which I hope to do shortly - say anything to indicate a commitment to include M2 widening provisions in the Hybrid Bill. In the light of your concern, I shall give further thought to the idea of inclusion before deciding whether to come back to you about it.

On the Hybrid Bill itself, about which you and I last corresponded specifically in October, I shall naturally stand by the agreed terms of my announcement of 11 November of our intention to have a Hybrid Bill ready in autumn 1994 for the private sector, subject to the Parliamentary timetable.

Assuming that colleagues are content, I hope to announce final decisions, by way of an Oral Statement, in the week beginning 24 January.

I am copying this letter to the Prime Minister, Ken Clarke, Michael Heseltine, John Wakeham, John Gummer and Richard Ryder.

Yours,

JM

JOHN MACGREGOR

POLICY IN CONFIDENCE

Room S15/14

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CABINET OFFICE
F 4656
17 JAN 1994
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FILE No. R14/7

Ref.	Scheme	Infra-Structure	Rolling Stock	£m Total	Opening Date
2A	Eastern City Link	250	325	575	Apr 2001
3A	HEX to Moorgate	80	45	125	Apr 1999
4A	Leytonstone Link	35	85	120	Apr 1999
5C	Slough - Barking/H&C into Bakerloo	60	200	260	Apr 2000
6A	Wimbledon into Central	75	65	140	Apr 2000
7A	Kilburn Link	40	120	160	Apr 2000
	Total of Options 2 - 7	540	840	1,380	

TABLE 4.1
ALTERNATIVE INVESTMENT OPPORTUNITIES
SUMMARY OF CAPITAL COSTS

All costs in £m at Nov 93 levels
All costs at median risk levels

Mr Munns

Mr Baldonald

FROM: A SANDALL
DATE: 13 MAY 1993

MR BIRD

Papers to retain if necessary. This has now given rise to the Note by the Cabinet Office, which I have included in the briefing pack

H Stevens 17/5/93

c. Mr Maclean
Mr Sandeman
Mr Rosling (No 10)
Mr Stevens (D.Tp)
Mr Rutnam (HMT)

CROSSRAIL

1. In my minute to you of 12 May I offered advice on the various ways in which the powers needed for the Crossrail project might be secured.

2. For ease of reference this minute contains both that advice and an assessment of the length of time each of these procedures might take, which takes into account the advice of the Department of Transport.

3. Four procedures are discussed:

(i) the current private bill;
(ii) a new private bill to be deposited next Session;
(iii) an order under the Transport and Works Act 1992;
(iv) a hybrid bill to be introduced next Session.

<u>The current private bill</u>

4. The current Crossrail Bill was deposited in November 1991 and, in common with all other private bills, was carried over at the Dissolution. The Bill has not yet had a second reading. Its further progress also depends on securing a favourable decision from the Standing Orders Committee on the petition for additional provision, deposited earlier this year, which seeks authorization for further extensive works. (There is a real possibility that the decision of the Standing Orders Committee may go against the Bill.)

5. The Bill cannot complete all its stages this Session and would therefore need to be carried over a second time. The Chairman of Ways and Means is most unlikely to move the necessary motion unless the Bill had got into Committee. That would require second reading by mid-June at the very latest.

6. A debate at 7 o'clock on Monday 14 June or Tuesday 15 June could be announced by the Chairman (and be repeated in the business statement) on Thursday 10 June. The Ways and Means Office would need to know by the close on Wednesday 9 June (i) from the agents for the Bill, that they wanted time for a debate, and (ii) from the Whips, that time was available on either the Monday or the Tuesday. This would of course need a policy decision to proceed with the Bill, and the necessary consultation with the business managers, somewhat earlier than 9 June.

7. If the Bill is proceeded with, LT believes that it could receive Royal Assent by the summer of 1995. I think it might take a few months longer than that.

8. If -

(i) a decision were taken not to proceed with the scheme for which this Bill has been promoted, or

(ii) no decision were taken in time, or

(iii) the Standing Orders Committee were to refuse leave to proceed with the additional provision,

one of the other methods would have to be employed.

A new private bill

9. The possibility of depositing a fresh petition for a private bill in November 1993 can be dismissed out of hand. The whole point of the Transport and Works Act 1992, enacted after the original petition was deposited, was to provide a non-

parliamentary route - which Parliament expects promoters to use - by which powers of this kind could be obtained.

An order under the Transport and Works Act 1992

10. The Transport and Works Act 1992 (TWA) gives the Secretary of State power to make orders to permit the construction of railways and other works. The Act, and delegated legislation made under it, provides for applicants to submit draft orders to the Secretary of State, for objections to be made, and for the holding of a public inquiry. The Secretary of State may make the order applied for, refuse it, or make it with modifications.

11. Section 9 of the Act applies to "proposals which in the opinion of the Secretary of Stage are of national significance". In such cases, the Secretary of State cannot make the order unless both Houses have, before the public inquiry, agreed to a resolution to approve the proposals for which the order is sought. The Secretary of State may not subsequently make an order inconsistent with the resolution, but he may refuse to make an order, and he may seek a further resolution to approve modifications of the proposals.

12. The Crossrail project has been discussed as a candidate for this procedure. Lord Brabazon of Tara, replying for the Government to the second reading debate in the Lords on the Transport and Works Bill, said:

> "I should like to pick up the question as to whether Crossrail, for example, could be dealt with under this procedure. The answer to that question is yes. That is an example of the type of Bill which might very well be dealt with under the procedure. I suggest that it would be the sort of scheme on which Clause 9 would have effect. There would be parliamentary approval in principle for such a large scheme. However, I cannot accept that there would be any less opportunity for the public to make representations than at present under the Private Bill procedure. In the case of a scheme such as Crossrail there would be a major

public inquiry just as there is at present for a major road scheme or power station scheme, for example." [HL Deb, c.1534, 13 March 1992]

13. At that time Crossrail was envisaged as a purely public sector project. I understand that the Department of Transport's present view is that the TWA procedures would be too lengthy to be acceptable to potential private sector partners. The Department's assessment, which I accept, is that the TWA procedures might not be completed before 2001 (2002 if a competition were held to define the project before an order were applied for).

A hybrid bill

14. A hybrid bill is a public bill which affects private interests. A hybrid bill for Crossrail would not be promoted by LT and BR, but introduced by the Government as a measure of public policy.

15. Before second reading the Examiners of Petitions would need to be satisfied that the Private Business Standing Orders relating to notices etc had been complied with in respect of the Bill. After second reading the Bill would be committed to a Select Committee, which closely resembles a committee on an opposed private bill, except that the Select Committee would be concerned solely with the petitions against the bill, not with the wider question of whether the bill was expedient. Once reported from the Select Committee, the Bill would be re-committed, usually to a Standing Committee, and would thereafter be proceeded with as a public bill. A similar procedure would be followed in the second House. Hybrid bills have been carried over from one Session to the next.

16. Such a bill would require Government time for second reading and remaining stages. It would also require a small group of Members to sit in a Select Committee for weeks on end hearing petitioners. It was precisely because the House found this intolerable in the 1980s that the Joint Committee on Private Bill

Procedure was set up; the TWA was the eventual outcome. Prolonged Committee proceedings may still have to be endured in cases where a TWA order is not available, but in other cases an attempt to use the Parliamentary route is certain to attract criticism.

17. One hybrid bill for a major construction project (the Channel Tunnel rail link) is already planned for next Session. There would be considerable Parliamentary difficulties in dealing with two such bills, each involving lengthy Select Committee proceedings, at the same time.

18. I would expect a hybrid bill to take two Sessions to reach Royal Assent. That suggests Royal Assent in July or October 1995 for a bill introduced this November, or a year or so later if the bill were delayed until 1994.

A SANDALL

Room S15/14

THE DEPARTMENT OF TRANSPORT

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MAY

My Ref:

Your Ref:

FACSIMILE HEADER

FROM: E C NEVE

DATE: 17.1.94

TO: Jim BETTS
Cabinet Office

CABINET OFFICE
F 4656
17 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

NUMBER OF PAGES: (INCLUDING THIS ONE)

~~#~~ 7

MESSAGE (IF ANY):

The page from the Boris-Gibb report with opening dates for their alternative projects, of which we spoke. At present they do not look clearly wrong, though Eastern City Link (an unlikely option anyway, as Treasury accepted this morning) ~~to~~ might be difficult to build, so my guess is that 2001 might be optimistic. It's also likely to be the most controversial as it involves going under big buildings in the City.

PS I expect you are all well aware of the attached minute from Mr. Sandall – especially the end of para 16, but I add it in case.

EN.

IF THIS TRANSMISSION IS INCOMPLETE PLEASE CALL SUZAN ON 071 - 276 5023

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CROSSRAIL

1. In my minute to you of 12 May I offered advice on the various ways in which the powers needed for the Crossrail project might be secured.

2. For ease of reference this minute contains both that advice and an assessment of the length of time each of these procedures might take, which takes into account the advice of the Department of Transport.

3. Four procedures are discussed:

(i) the current private bill;
(ii) a new private bill to be deposited next Session;
(iii) an order under the Transport and Works Act 1992;
(iv) a hybrid bill to be introduced next Session.

<u>The current private bill</u>

4. The current Crossrail Bill was deposited in November 1991 and, in common with all other private bills, was carried over at the Dissolution. The Bill has not yet had a second reading. Its further progress also depends on securing a favourable decision from the Standing Orders Committee on the petition for additional provision, deposited earlier this year, which seeks authorization for further extensive works. (There is a real possibility that the decision of the Standing Orders Committee may go against the Bill.)

5. The Bill cannot complete all its stages this Session and would therefore need to be carried over a second time. The Chairman of Ways and Means is most unlikely to move the necessary motion unless the Bill had got into Committee. That would require second reading by mid-June at the very latest.

6. A debate at 7 o'clock on Monday 14 June or Tuesday 15 June could be announced by the Chairman (and be repeated in the business statement) on Thursday 10 June. The Ways and Means Office would need to know by the close on Wednesday 9 June (i) from the agents for the Bill, that they wanted time for a debate, and (ii) from the Whips, that time was available on either the Monday or the Tuesday. This would of course need a policy decision to proceed with the Bill, and the necessary consultation with the business managers, somewhat earlier than 9 June.

7. If the Bill is proceeded with, LT believes that it could receive Royal Assent by the summer of 1995. I think it might take a few months longer than that.

8. If -

(i) a decision were taken not to proceed with the scheme for which this Bill has been promoted, or

(ii) no decision were taken in time, or

(iii) the Standing Orders Committee were to refuse leave to proceed with the additional provision,

one of the other methods would have to be employed.

<u>A new private bill</u>

9. The possibility of depositing a fresh petition for a private bill in November 1993 can be dismissed out of hand. The whole point of the Transport and Works Act 1992, enacted after the original petition was deposited, was to provide a non-

parliamentary route - which Parliament expects promoters to use - by which powers of this kind could be obtained.

An order under the Transport and Works Act 1992

10. The Transport and Works Act 1992 (TWA) gives the Secretary of State power to make orders to permit the construction of railways and other works. The Act, and delegated legislation made under it, provides for applicants to submit draft orders to the Secretary of State, for objections to be made, and for the holding of a public inquiry. The Secretary of State may make the order applied for, refuse it, or make it with modifications.

11. Section 9 of the Act applies to "proposals which in the opinion of the Secretary of Stage are of national significance". In such cases, the Secretary of State cannot make the order unless both Houses have, before the public inquiry, agreed to a resolution to approve the proposals for which the order is sought. The Secretary of State may not subsequently make an order inconsistent with the resolution, but he may refuse to make an order, and he may seek a further resolution to approve modifications of the proposals.

12. The Crossrail project has been discussed as a candidate for this procedure. Lord Brabazon of Tara, replying for the Government to the second reading debate in the Lords on the Transport and Works Bill, said:

> "I should like to pick up the question as to whether Crossrail, for example, could be dealt with under this procedure. The answer to that question is yes. That is an example of the type of Bill which might very well be dealt with under the procedure. I suggest that it would be the sort of scheme on which Clause 9 would have effect. There would be parliamentary approval in principle for such a large scheme. However, I cannot accept that there would be any less opportunity for the public to make representations than at present under the Private Bill procedure. In the case of a scheme such as Crossrail there would be a major

public inquiry just as there is at present for a major road scheme or power station scheme, for example." [HL Deb, c.1534, 13 March 1992]

13. At that time Crossrail was envisaged as a purely public sector project. I understand that the Department of Transport's present view is that the TWA procedures would be too lengthy to be acceptable to potential private sector partners. The Department's assessment, which I accept, is that the TWA procedures might not be completed before 2001 (2002 if a competition were held to define the project before an order were applied for).

A hybrid bill

14. A hybrid bill is a public bill which affects private interests. A hybrid bill for Crossrail would not be promoted by LT and BR, but introduced by the Government as a measure of public policy.

15. Before second reading the Examiners of Petitions would need to be satisfied that the Private Business Standing Orders relating to notices etc had been complied with in respect of the Bill. After second reading the Bill would be committed to a Select Committee, which closely resembles a committee on an opposed private bill, except that the Select Committee would be concerned solely with the petitions against the bill, not with the wider question of whether the bill was expedient. Once reported from the Select Committee, the Bill would be re-committed, usually to a Standing Committee, and would thereafter be proceeded with as a public bill. A similar procedure would be followed in the second House. Hybrid bills have been carried over from one Session to the next.

16. Such a bill would require Government time for second reading and remaining stages. It would also require a small group of Members to sit in a Select Committee for weeks on end hearing petitioners. It was precisely because the House found this intolerable in the 1980s that the Joint Committee on Private Bill

Procedure was set up; the TWA was the eventual outcome. Prolonged Committee proceedings may still have to be endured in cases where a TWA order is not available, but in other cases an attempt to use the Parliamentary route is certain to attract criticism.

17. One hybrid bill for a major construction project (the Channel Tunnel rail link) is already planned for next Session. There would be considerable Parliamentary difficulties in dealing with two such bills, each involving lengthy Select Committee proceedings, at the same time.

18. I would expect a hybrid bill to take two Sessions to reach Royal Assent. That suggests Royal Assent in July or October 1995 for a bill introduced this November, or a year or so later if the bill were delayed until 1994.

A SANDALL

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref: J/PSO/486/94

Your ref:

FOLIO 74

14 JAN 1994

a Mr Neer
no Sandall
Mr Bette

Relevant to the room meeting. NB 12/1

CABINET OFFICE
K 4285
17 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

Mrs Mary Francis
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

Dear Mary

CROSSRAIL

Thank you for your letter of 12 January. Officials here are in touch with Cabinet Office to assist in preparing the paper.

You asked for advice on whether decisions need to be taken before the meeting of the Bill Committee on 25 January. The recent timetable of the Committee may help.

Second Reading took place on 8 June. The Committee met for the first time in July and adjourned until October; they were reluctant to grant the further adjournment which had to be requested in October, and they made it clear that they expected us to be ready on 25 January. ('The patience of the Committee is not inexhaustible' the Chairman said.) The promoters are meeting petitioners on 18 January, a week before the Committee reconvenes. My Secretary of State has warned the BR and LT Chairmen that a decision may well not have been taken by then. This will itself lead to considerable criticism, but our position would be impossible to defend if on 25 January, three months after the October adjournment, we still had to admit that the Government was unable to come to a decision. There is every probability that the Committee would throw the Bill out.

I am copying this letter to Nick Macpherson (HM Treasury), Peter Smith (DTI), Alan Riddell (DOE), Melanie Leech and Richard Bird (Cabinet Office).

Yours sincerely

Paul Coby

PAUL COBY
Private Secretary

FOLIO 73

FROM: A SANDALL
DATE: 14 JANUARY 1994

CABINET OFFICE
K 4275
14 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

MR BIRD

CROSSRAIL

Whilst it is clearly desirable, I don't think it is essential for a final decision on the fate of the Crossrail Bill to be taken before the Committee resumes on 25 January, provided that only a brief further adjournment would be required.

What the promoters cannot do is dissemble, and ask the Committee to proceed with the Bill even though its fate is actually undecided: the Treasury/Transport row is public knowledge, and the Committee will have a pretty shrewd idea of what is going on.

AS.

A SANDALL

chex.jp/ob1/23 **POLICY IN CONFIDENCE**

Sir Robin Butler

CABINET OFFICE
A 604
17 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

Treasury Chambers, Parliament Street, London, SW1P 3AG
071-270 5000

72

C. Mr Cuden
Mr Birn

PRIME MINISTER

CTRL

I have discussed with John MacGregor the issues raised in his minute of 23 December and his letter to me of 11 January. My letter of today to John records that we have reached a very broad measure of agreement.

There are a few key points I would like to highlight.

First, I am content with John's proposals on the route in London, Essex and Kent. There will be controversy about this - particularly pressure for more tunnelling in Barking, under the North Downs and in Ashford. But if the project is to be affordable, we will have to stand absolutely firm on this.

Second, domestic services. This matters a good deal because there is a risk that we will be faced with pressure for yet more spending, over and above the cost of CTRL, if the line carries more than a certain number of domestic services. This is because the passengers will need to get from St Pancras to their ultimate destinations in the City and West End, and there is a risk that this will overload the Tube.

John and I have agreed that we should specify a minimum capacity requirement for the CTRL to take six domestic services in the peak hour. But we will need to be very careful about what is said to Kent MPs and commuters about how many domestic services will in

fact be operated and when. It is essential to avoid generating unrealistic expectations, and I should be grateful if John could stay closely in touch with me on this.

Third, Thameslink. John and I agree that we should take powers to build a new station for Thameslink as part of the works at St Pancras. But we are also agreed this is simply to keep the option open, and that there is no commitment to build the rest of the Thameslink scheme. We have also agreed that the decision on whether to build the box and station should be taken by the private sector, which should also provide the money. This is sensible: if Thameslink is to be taken forward, it must be as a private sector project funded by private capital. We must make this quite clear at the outset.

Finally, John and I have also agreed that the private sector must have flexibility over phasing the project, provided we achieve our basic aim of a high-speed rail service between St Pancras and the Channel Tunnel within the timescale that we have in mind.

I am copying this minute to John MacGregor, Douglas Hurd, Michael Heseltine, John Gummer, John Wakeham, Tony Newton, Richard Ryder and Sir Robin Butler.

[K.C.]

(Approved by the Chancellor)

14 January 1994

chex.jp/ob1/22

POLICY IN CONFIDENCE

CABINET OFFICE
A 551
14 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

Treasury Chambers, Parliament Street, London, SW1P 3AG
071-270 5000

14 January 1994

Rt Hon John MacGregor OBE MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB

Dear John.

CTRL

Thank you for your letter of 11 January. We discussed the issues at our meeting on 13 January. It may be helpful if I set out the position that we reached on each issue, broadly in the order of your letter and its attachment.

Subsidy for international services

I agree that we should recognise explicitly that a major reason for paying subsidy to this project is to bring benefits to international travellers.

This will be a change of policy, and it will be important to get the presentation right. It is essential that we ringfence this concession as much as possible. You are going to give further thought to this. I think we need to focus on the fact that this is a unique project, completing a high-speed corridor from London to Paris and Brussels.

Flexibility over the route

I agree that we will have to specify the route and terminus precisely, and that there should be no flexibility to suggest alternative alignments. As suggested in your letter, the private sector should have flexibility to make alternative proposals only within the chosen corridor and if they will have no material adverse effect on the environmental impact.

We only discussed route issues briefly. I should record that I am content with the proposals in your minute to the Prime Minister of 23 December. Our officials are discussing the property purchase arrangements: you will, of course, need to consult Michael Portillo on any scheme going beyond existing arrangements.

It is essential that, having decided the route, we now stand firm. I particularly have in mind the pressures which will undoubtedly arise at places like Barking, Ashford and for more tunnelling under the North Downs.

Concession vs outright sale

This is one issue on which we did not reach agreement. I prefer outright sale. You were inclined to a concession, but undertook to consider further.

Government director

We agreed we should rely on contracts to protect our interests in the project, and not appoint a Government director.

Transfer of EPS

I entirely share your view: the transfer of EPS should take place when we appoint the private sector promoter, and we should have no truck whatever with the opposition to this coming from Sir Bob Reid.

Domestic services and domestic capacity

We agreed that the private sector promoter should be responsible for providing a specified level of capacity for domestic services, but should not be required to operate the services itself.

We also agreed that we should specify a minimum capacity requirement of domestic services of six services in the peak hour. This would be the capacity requirement included in our specification for reference bids. There would not, of course, be any upper limit on the capacity which can be provided for domestic services.

Intermediate stations

I agree that the private sector should be responsible for promoting these, and that we should specify a requirement for one intermediate station, to be located within the East Thames Corridor. I also agree that we should leave it up to the private sector to decide between Rainham, Ebbsfleet and Stratford, and I would prefer to keep the choice between them open at this stage. I very much share your view that we should not include the 'long box' at Stratford in the specification of the route.

Parameters of the competition

I am content with the proposal for a reference bid based on Union Railways' scheme, with scope for the private sector to propose variant bids which should be constrained mainly by the route and the requirement to meet a minimum output specification.

The details of the specification for the reference bid, and the specification for variants, will need careful thought. My own view is that the reference bid does not need to include every individual option in the Union Railways scheme. I would prefer to omit, for example, the grade-separated junction at Dollands Moor and the advance works for the connection to Temple Mills, on the grounds that these are undoubtedly operational matters for the private sector. I am content, however, to include the grade-separated junction at St Pancras in the reference bid, but the private sector should have the freedom to include it or not in any variant bids.

I am also content with your proposals to leave it to the private sector to decide variously on: construction practice; whether or not to build the connection at Gravesend West; and what capacity should be provided for international services. I also agree that we can require the connections to the East and West Coast Main Line, provided their cost is as modest as you suggest. And I am content to include a basic requirement for a capability to take freight, which means specifying maximum gradients and curvatures. A Continental loading gauge should be specified in the reference bid, but we agreed that the private sector should have flexibility to propose a smaller gauge in the variants.

On property, I am broadly content with what you suggest, but I should be grateful if our officials could discuss further the position on the King's Cross lands. Our officials also need to discuss further the regulatory regime, and whether the services should formally be subject to the franchising regime set out in the Railways Act. I think that we should be able to devise arrangements which avoid the restrictions of the franchising regime, while still retaining the benefits of frequent competition for the services.

Phasing

We agreed that we need to retain as much flexibility as possible for the private sector to phase the project. This is likely to be a key area in which the private sector can make imaginative proposals for saving cost and generating early revenues.

In the end, what we need from this project is a high-speed international rail service from St Pancras to the Channel Tunnel. This is the key output specification which the private sector must meet. This suggests the following approach:

- require a reference bid based, as you suggest, on the Union Railways scheme, and completed to a reasonable timescale;

- allow the private sector to put forward variants, which must meet the core elements in our output specification, but can propose phasing or deferring elements of the project while doing so.

Our officials will need to discuss further just how this should be set out in the tender documentation, and, just as importantly, what is said to the bidders in the discussions that will follow. In a project as complex as this, the tendering process is bound to be interactive, and it is essential that we give clear and consistent guidance to the private sector about what matters to us. This is true of variant bids even more than of the reference bid.

Interaction with other projects

I am content to include in the Bill powers to construct a Thameslink station beneath St Pancras on the following conditions:

- the box, and station, and indeed the rest of the Thameslink project, if constructed, must be funded by the private sector, with no public sector contribution; we must state this publicly and unambiguously;

- this means there will be no Government commitment of any kind to the Thameslink project;

- more generally, we must ensure that expectations are not raised in Kent about the number of domestic services which will use the new line, certainly not beyond the minimum requirement which will be included in the reference bid.

The competition

I am content with your proposal to make a contribution to bidders' costs: our officials will need to discuss the details. I note what you say about the position on EC state-owned bodies, but I am not keen on having a right of pre-emption if there is a subsequent sale of EPS. Officials should discuss this further.

I am copying this letter to the Prime Minister, Douglas Hurd, Michael Heseltine, John Wakeham, John Gummer, Tony Newton, Richard Ryder and Sir Robin Butler.

KENNETH CLARKE

chex.jp/ob1/22 **POLICY IN CONFIDENCE**

cc MR OWEN
MR BIRD
MR MARSTON

70

Treasury Chambers, Parliament Street, London, SW1P 3AG
071-270 5000

Mr Newell

cc: RB

14 January 1994

Rt Hon John MacGregor OBE MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB

CABINET OFFICE
K 4270
14 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

Dear John.

CTRL

Thank you for your letter of 11 January. We discussed the issues at our meeting on 13 January. It may be helpful if I set out the position that we reached on each issue, broadly in the order of your letter and its attachment.

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I am copying this letter to the Prime Minister, Douglas Hurd, Michael Heseltine, John Wakeham, John Gummer, Tony Newton, Richard Ryder and Sir Robin Butler.

KENNETH CLARKE

chex.jp/ob1/22 **POLICY IN CONFIDENCE**

cc MR OWEN
MR BIRD
MR MARSTON

69

Treasury Chambers, Parliament Street, London, SW1P 3AG
071-270 5000

CABINET OFFICE
F 4648
14 JAN 1994
FILING INSTRUCTIONS
FILE No. R147

14 January 1994

Rt Hon John MacGregor OBE MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB

Dear John.

CTRL

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I am copying this letter to the Prime Minister, Douglas Hurd, Michael Heseltine, John Wakeham, John Gummer, Tony Newton, Richard Ryder and Sir Robin Butler.

KENNETH CLARKE

chex.jp/ob1/23

POLICY IN CONFIDENCE

cc MR BIRD
MR BETTS

68

Treasury Chambers, Parliament Street, London, SW1P 3AG
071-270 5000

CABINET OFFICE
F 4744
28 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

17 JAN 1994

PRIME MINISTER

CTRL

I have discussed with John MacGregor the issues raised in his minute of 23 December and his letter to me of 11 January. My letter of today to John records that we have reached a very broad measure of agreement.

There are a few key points I would like to highlight.

First, I am content with John's proposals on the route in London, Essex and Kent. There will be controversy about this - particularly pressure for more tunnelling in Barking, under the North Downs and in Ashford. But if the project is to be affordable, we will have to stand absolutely firm on this.

Second, domestic services. This matters a good deal because there is a risk that we will be faced with pressure for yet more spending, over and above the cost of CTRL, if the line carries more than a certain number of domestic services. This is because the passengers will need to get from St Pancras to their ultimate destinations in the City and West End, and there is a risk that this will overload the Tube.

John and I have agreed that we should specify a minimum capacity requirement for the CTRL to take six domestic services in the peak hour. But we will need to be very careful about what is said to Kent MPs and commuters about how many domestic services will in

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I am copying this minute to John MacGregor, Douglas Hurd, Michael Heseltine, John Gummer, John Wakeham, Tony Newton, Richard Ryder and Sir Robin Butler.

[K.C.]

(Approved by the Chancellor)

14 January 1994

chex.jp/ob1/23

POLICY IN CONFIDENCE

cc MR BIRD
MR BETTS

FOLIO 67

Treasury Chambers, Parliament Street, London, SW1P 3AG
071-270 5000

CABINET OFFICE
K 4292
17 JAN 1994
FILING INSTRUCTIONS
FILE No. R147

PRIME MINISTER

CTRL

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[K.C.]

(Approved by the Chancellor)

14 January 1994

cc MR OWEN
MR BIRD
MR MARSTON

FOLIO 668

The Rt. Hon. Michael Heseltine MP
President of the Board of Trade

Secretary of State
Department of Trade and Industry

Ashdown House
123 Victoria Street
London SW1E 6RB

Direct line
071-215 4440

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071-215 5000

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

13 January 1994

M-Nun

CABINET OFFICE
K 4266
14 JAN 1994
FILING INSTRUCTIONS
FILE No. R141F

CHANNEL TUNNEL RAIL LINK

Thank you for copying me your minute of 23 December to the Prime Minister.

I am content overall with the line you propose to take in the announcement on the questions of the route and terminus. I also agree with the general principle that we should not at this stage make a specific selection of an intermediate station site. I am, however, concerned at the way in which you propose to treat intermediate stations in the announcement.

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It seems to me that the manner in which you propose to refer to Stratford runs a significant risk of effectively ruling it out as an option. It would be less negative, for example, to say that the case for Stratford has yet to be fully made, rather than to say it has certainly not been made. The effect is compounded by a clear decision at this stage to opt for the short box option. The reference to a willingness to consider a long box mitigates this to some extent but not entirely. I

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should prefer it if your announcement made clear that we retained an open mind on all three locations and were prepared to consider options which would be relevant to each of them.

I am copying this letter to the Prime Minister, Ken Clarke, John Gummer, John Wakeham, Tony Newton and Richard Ryder.

yours ever

PE1074

dti
the department for Enterprise

POLICY IN CONFIDENCE

FOLIO 66R

cc MR OWEN
MR BIRD
MR MARSTON

The Rt. Hon. Michael Heseltine MP
President of the Board of Trade

Secretary of State
Department of Trade and Industry

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The Rt Hon John MacGregor MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
LONDON
SW1

CABINET OFFICE
K 4264
14 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

13 January 1994

Mr Owen

Dear John

CHANNEL TUNNEL RAIL LINK: JOINT VENTURE COMPETITION

Thank you for copying me your letter of 11 January to Ken Clarke on this.

In my view, the provision of the Channel Tunnel Rail Link is essential both to ensure that the full gain for the economy from the Channel Tunnel is obtained, and to derive the regeneration benefits for the East of London and the East Thames Corridor generally which underlay our decision to adopt the Eastern route. I agree fully therefore that abandonment of the project at this stage would not be justified.

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I am broadly content with the key principles you have set out for the pre-qualification documents. I have, however, asked my officials to examine the proposals and to take up any specific points of detail with yours.

POLICY IN CONFIDENCE

dti
the department for Enterprise

Recycled Paper

I am copying this letter to the Prime Minister, Douglas Hurd, Kenneth Clarke, John Gummer, John Wakeham, Tony Newton and Richard Ryder.

Yours ever

PE1106

dti

the department for Enterprise

R14|7

FOLIO 669

R12779

1.0 EXECUTIVE SUMMARY

1.1 Introduction

The study team, led by Bovis/Gibb, has reviewed the CrossRail project in accordance with the requirements of Government, namely:

* To establish CrossRail as a joint venture attractive to the private sector;

* To improve cost-effectiveness of the project and reduce cost to the public sector;

* To ensure value for money for the public sector contribution.

The CrossRail project comprises the connection of the Shenfield Line into Liverpool Street from the east to four lines to the west of Paddington via a tunnel under Central London. The east-west connection gives a through service in order to achieve a balance in the service pattern and to facilitate movements to the West End from the east and to the City from the west.

The project as designed is a well engineered scheme, operationally efficient within the constraints of running on the existing British Rail network, offering a substantial investment in the long term infrastructure of London. The scheme has been promoted with a vision of a modern new rail network across London.

1.2 CrossRail Cost Effectiveness

Analysis by the study team of the project as designed has indicated that a number of elements of the scheme should be reviewed before final decisions on construction are made. In particular, the CrossRail team has demonstrated that the provision of stations in the central area is achieved at high cost and that benefits reduce with the increase in the number of stations. The study team has concluded that:

* Moorgate/Liverpool Street and Bond Street stations give positive benefits and logically form part of the base case;

* Either Tottenham Court Road or Holborn stations should be included in the base case, but not both;

* Paddington station incremental costs currently exceed incremental benefits and therefore the station is not justified in financial or economic terms. Further work is necessary to explore the opportunities to reduce costs and perhaps also capture more of the benefits of main line railway and Heathrow Express interchange;

* Farringdon station also has costs exceeding total benefits. The desire to provide a spur to the redevelopment of the

surrounding area and the good interchange with other rail services may improve the case for the inclusion of this station.

The minimum feasible railway identified by the CrossRail team provides basic infrastructure capable of handling 12 car trains, but station facilities for 8 car trains. This includes single ticket halls and provision for expansion to 12 car facilities with twin ticket halls. No economic justification has been seen by the study team for this provision and the study team recommends that consideration is given to further reductions in stations to 6 car operation. This is referred to hereafter as the minimum core railway.

Further cost savings from reductions in tunnel diameter, standardisation of escalators and deletion of all provision for expansion, have been identified as requiring analysis before construction commences. The provision of safety measures and provision for mobility impaired passengers to meet modern standards are considered essential parts of the scheme and not areas for cost reductions.

Alternative alignments for the central section via Kings Cross have been proposed by petitioners. The CrossRail team has found that the costs of routing via Kings Cross are approximately 10% higher than the currently proposed route, and the route attracts significantly less benefits. The study team endorses this view and concludes that the route chosen from Liverpool Street to Paddington provides the best feasible solution to the CrossRail objectives as originally defined.

The possibility of phasing the project has been considered, but most of the costs are in the Central London tunnels and part construction with turnback facilities does not provide benefits sufficient to justify this approach.

1.3 Economic Evaluation

The CrossRail project was a product of the Central London Rail Study (CLRS) carried out in 1988. The CLRS demonstrated that, with the then pertaining Central London employment growth, CrossRail would be required by the year 2001. The project would meet the objective of substantial relief to British Rail lines, particularly in the east, and relief to congestion on the Central Line and Metropolitan and Circle Lines. Additional benefits would accrue from connections with the City and West End.

A primary aim of the Government is to establish a joint venture with the private sector assuming a private sector contribution and a commensurate transfer of risk from Government. If the project proceeds as a joint venture with the private sector, the Government will still wish to see that its contribution gives rise to an attractive benefit:cost ratio. This could be of some importance for a project such as CrossRail, where the ratio is close to 1:1 as a public sector project.

The CrossRail team has determined that a benefit:cost ratio of around 1.4:1.0 is achieved for both the full scheme and the minimum feasible railway, assuming the CLRS growth forecasts. The deletion of stations in the minimum feasible railway reduces costs, but also benefits, leaving similar benefit:cost ratios. The basis of these calculations is for a public sector project using an 8% discount rate. The scheme generates large social benefits, a small proportion of which may be captured as net additional passenger revenues.

However, current analysis shows that employment growth in Central London has not followed the CLRS forecast. A fall has in fact occurred between 1989 and today of between 15% and 20%. If a high growth forecast is applied from today, then the CLRS forecast would be reached in 2010 not 2001. The study team considers that this could still be optimistic since it is policy both of Government and of the London Planning Advisory Committee to encourage growth outside of Central London, such as in the East Thames Corridor. London Transport's prediction of the change in forecast trends is illustrated in Figure 1.1.

Furthermore, it is noted that the trend in movement of people into Central London in the peak hours has been gradually downward for the past 30 years. This is illustrated in Figure 1.2.

In order to maintain a benefit:cost ratio greater than 1:1, it may be necessary to delay construction of the scheme and then to proceed only if employment growth has actually returned. However, these trends would not necessarily require a delay to the Bill process. During the passage of the Bill, the continuing change in employment and commuting growth could be monitored and the effect of observed changes and revised forecasts analysed. This would determine the timing for implementation of the project and the level of private sector investment that could be attracted, at that time.

1.4 Alternative Investment Opportunities

In the light of the above analysis, and as part of the study, the team investigated alternative options for changes to the London Underground network which could provide some of the benefits of CrossRail and which could be implemented earlier. Schemes with potential for high benefit:cost ratios and attraction to the private sector were targeted. The schemes considered comprise:

* Eastern City Link combining the Metropolitan trains from Amersham currently terminating at Aldgate with Shenfield trains currently terminating at Liverpool Street via part of the CrossRail tunnel. The scheme would connect Amersham to Shenfield as for CrossRail and would provide some relief to the Central Line in the east;

* Heathrow Express to Moorgate via an upgraded north side of the Metropolitan and Circle Lines. The scheme would connect

the City to Heathrow with competitive journey times to the alternatives of taxi, bus or other tube lines;

* Leytonstone Link of Jubilee Line and Central Line to provide relief to the Central Line in the east through direct access to the West End via the Jubilee Line;

* Slough to Barking services via the north of the Metropolitan and Circle Lines providing the east-west through connection and the possibility of extensions to Reading/Rainham. The scheme requires the diversion of the Hammersmith and City Lines into the Bakerloo Line at Paddington;

* Wimbledon Line link to the Central Line from Fulham Broadway to Holland Park via Olympia. The scheme would relieve pressure on the Metropolitan and Circle Lines by removing the Wimbledon services currently terminating at Edgware Road. Additional benefits of relief at Earls Court and direct, through services to Olympia and the West End are also provided;

* A link at Kilburn from the Metropolitan Line to Thameslink would provide an alternative route from the north west to the City and relief to the Metropolitan and Circle Lines between Baker Street and Farringdon.

The preliminary analysis has indicated that the cost of the schemes are all within the £100 million to £300 million range (except the Eastern City Link) and that private sector finance could be attracted to some of the schemes with varying public sector contributions. However, it is accepted that it is only possible to give indicative results at this stage and that detailed work is required to assess the full cost and implications of schemes and that an assessment, from which choices could be made, would require further study.

1.5 Conclusion

In conclusion, the study team believes that CrossRail is a visionary project which may be ahead of its time in view of the change in employment and commuting patterns in Central London. As a public sector project, the scheme could be brought to fruition in a shorter timescale than as a public/private sector joint venture. However, a delay to assess future trends and to identify the proper transfer of risk to the private sector would be appropriate if the project is to be a joint venture achieving value for money for the public sector contribution.

Whether the CrossRail project is delayed or goes ahead, other investment in the London Underground network should be considered.

CENTRAL LONDON EMPLOYMENT & PEAK HOUR PASSENGER ARRIVALS

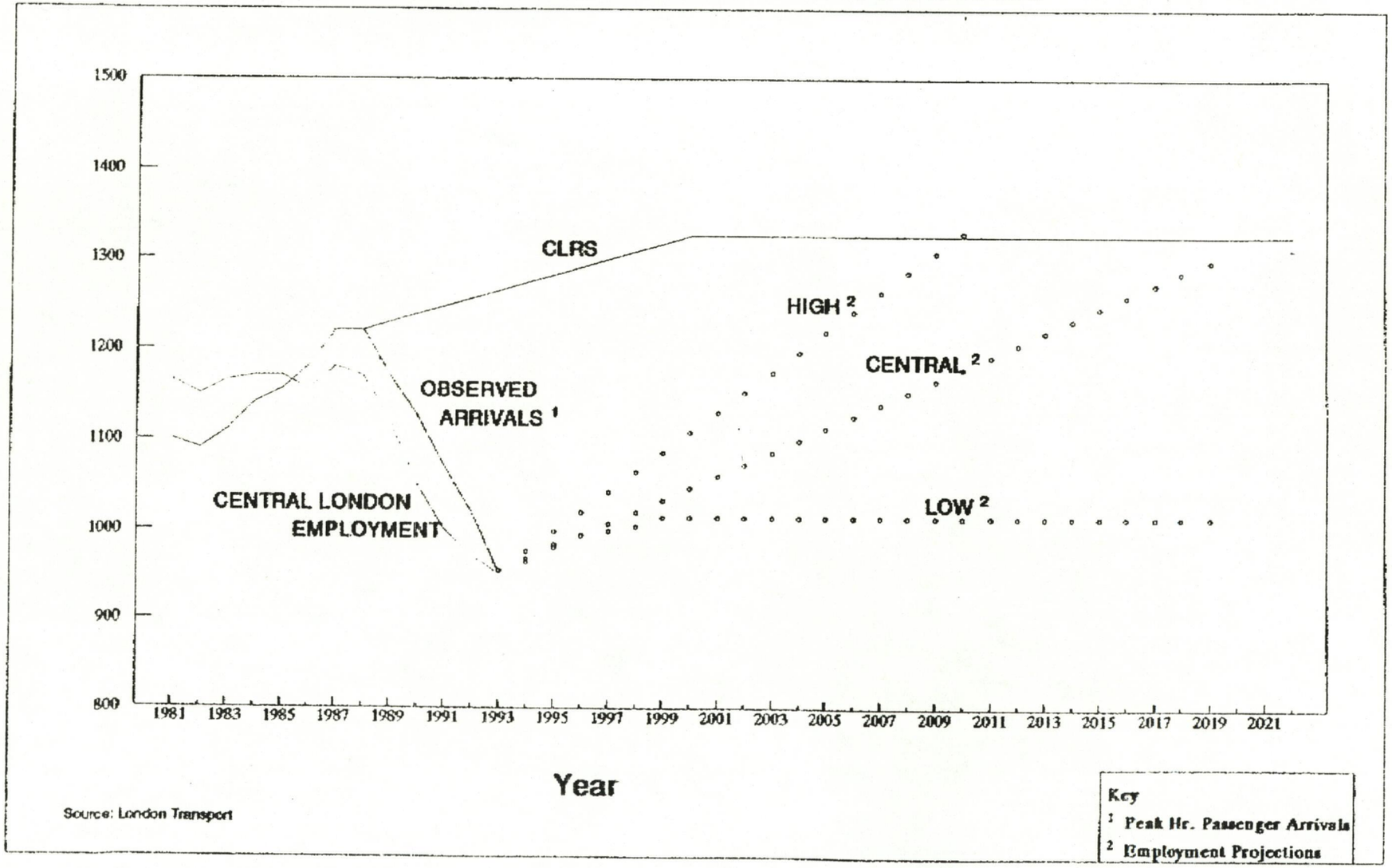

Figure 1.1

13-01-1994 14:24 PE1 DIVISION = HMT P.08

People entering Central London between 0700 and 1000

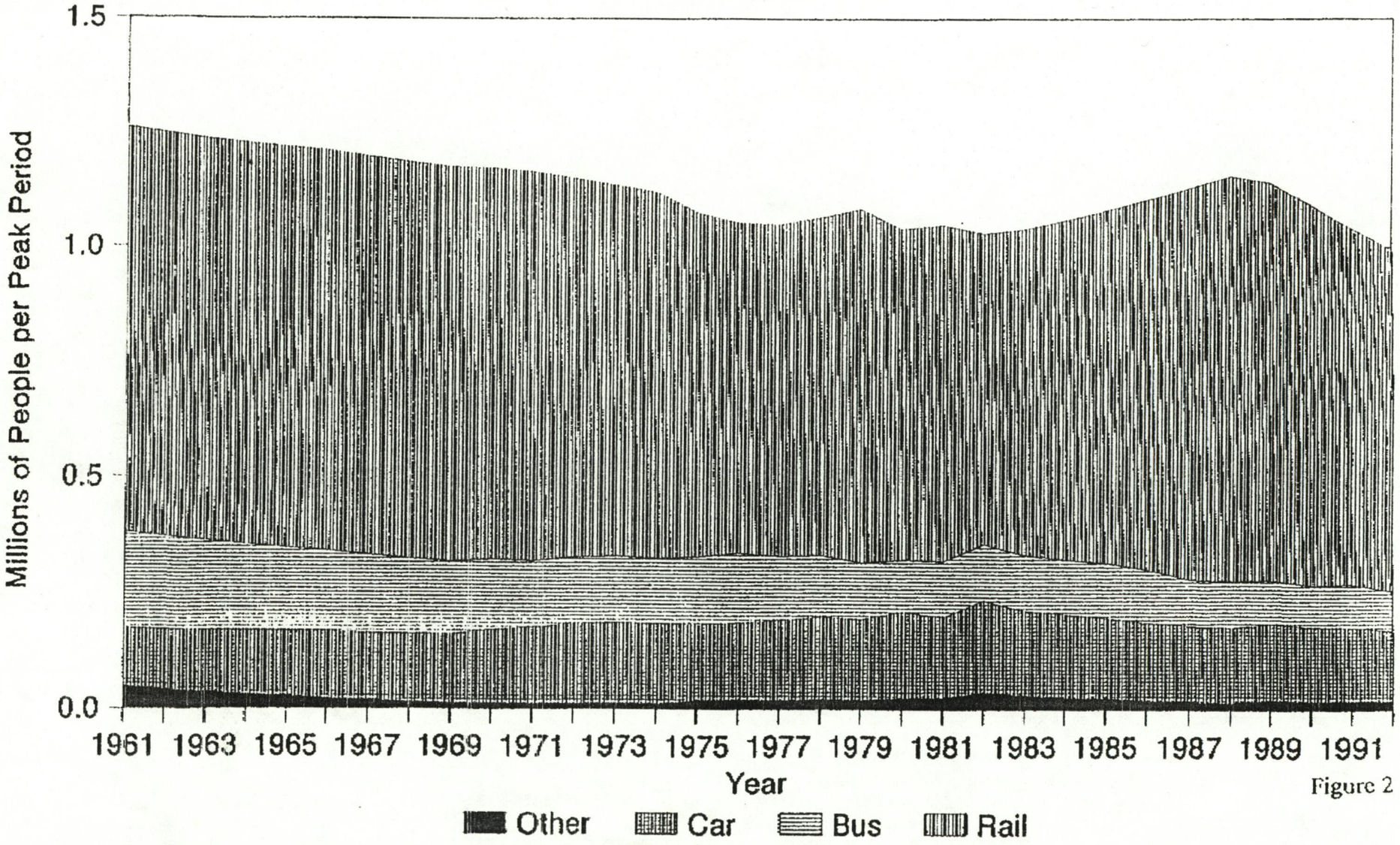

Figure 2

Source: Steer, Davies, Gleave:CrossRail Bill Proof of Evidence

Sir Robin Butler

CABINET OFFICE
A 520
13 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

FOLIO 66P

CONFIDENTIAL

PRIME MINISTER

c - Mr Bird

CROSSRAIL

I have seen the note John MacGregor sent you on 11 January and, although I was not on the original copy list, Ken Clarke's letter of 10 January to John.

2 I strongly support John's line on this. If we withdraw the CrossRail Bill now it will ensure the collapse of private sector interest in the project. The recent study confirms the benefits of CrossRail. Against this background, and our repeated commitment to CrossRail, we should be seeking to encourage the private sector to become involved in it. CrossRail should be an attractive part of the Private Finance Initiative. To withdraw the Bill now would bring into question our very commitment to the Initiative.

3 My Department's competitiveness report noted the importance of infrastructure projects like CrossRail. They are essential to preserve London's international competitive position and all the benefits this brings the UK. We need to have this in our minds in considering the next steps in projects of this nature.

4 I am sending copies of this minute to Ken Clarke, John MacGregor and John Gummer, and to Sir Robin Butler.

M H

13 January 1994

DEPARTMENT OF TRADE AND INDUSTRY JW1025

CONFIDENTIAL

dti
the department for Enterprise

cc MR OWEN
MR BIRD
MR MARSTON

FOLIO 66N

The Rt. Hon. Michael Heseltine MP
President of the Board of Trade

CABINET OFFICE
F 4650
14 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

Secretary of State
Department of Trade and Industry

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

13 January 1994

FW

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Recycled Paper

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I am copying this letter to the Prime Minister, Ken Clarke, John Gummer, John Wakeham, Tony Newton and Richard Ryder.

Yours ever

PE1074

dti

the department for Enterprise

POLICY IN CONFIDENCE

FOLIO 66M

cc MR OWEN
MR BIRD
MR MARSTON

The Rt. Hon. Michael Heseltine MP
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CABINET OFFICE
F 4649
14 JAN 1994
FILING INSTRUCTIONS
FILE No. R142

13 January 1994

Dear John

CHANNEL TUNNEL RAIL LINK: JOINT VENTURE COMPETITION

Thank you for copying me your letter of 11 January to Ken Clarke on this.

In my view, the provision of the Channel Tunnel Rail Link is essential both to ensure that the full gain for the economy from the Channel Tunnel is obtained, and to derive the regeneration benefits for the East of London and the East Thames Corridor generally which underlay our decision to adopt the Eastern route. I agree fully therefore that abandonment of the project at this stage would not be justified.

Turning to your other two options, the inclusion of the private sector in the project is an essential part of ensuring that the work is carried forward efficiently and economically. I would therefore support your conclusion that we should provide additional support in respect of the international benefits of the link. This will, of course need careful presentation both to make clear that such support does not result in unfair competition, and to preempt suggestions that there has been a reversal of the position on this issue.

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I am broadly content with the key principles you have set out for the pre-qualification documents. I have, however, asked my officials to examine the proposals and to take up any specific points of detail with yours.

POLICY IN CONFIDENCE

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888-888

POLICY IN CONFIDENCE

I am copying this letter to the Prime Minister, Douglas Hurd, Kenneth Clarke, John Gummer, John Wakeham, Tony Newton and Richard Ryder.

Yours ever

PE1106

POLICY IN CONFIDENCE

dti

the department for Enterprise

POLICY IN CONFIDENCE

cc MR OWEN
MR BIRD
MR MARSTON

FOLIO 66

The Rt. Hon. Michael Heseltine MP
President of the Board of Trade

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Department of Transport
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LONDON
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13 January 1994

CABINET OFFICE
P 11332
14 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

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POLICY IN CONFIDENCE

dti
the department for Enterprise

Recycled Paper

I am copying this letter to the Prime Minister, Douglas Hurd, Kenneth Clarke, John Gummer, John Wakeham, Tony Newton and Richard Ryder.

yours ever

PE1106

dti

the department for Enterprise

cc MR OWEN
MR BIRD
MR MARSTON

FOLIO 65

The Rt. Hon. Michael Heseltine MP
President of the Board of Trade

Secretary of State
Department of Trade and Industry

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13 January 1994

CABINET OFFICE
P 11330
14 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

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yours ever

PE1074

dti

the department for Enterprise

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
071-276 3000

CONFIDENTIAL

cc MR OWEN
MR BIRD
MR MARSTON

FOLIO 649

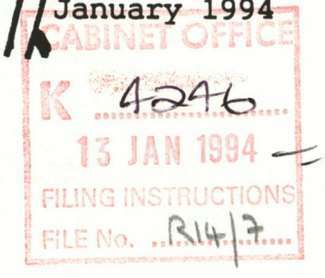
My ref: G/PSO/473/94
Your ref:

The Rt Hon John MacGregor OBE MP
Department of Transport
S13/04
2 Marsham Street
London SW1A

Mr Nwa

12 January 1994





Dear John

CHANNEL TUNNEL RAIL LINK JOINT VENTURE COMPETITION

Thank you for the copy of your letter of 11 January to Ken Clarke about the arrangements for the joint venture competition.

I very strongly endorse your judgement that abandoning this project is not an option we can realistically contemplate. In addition to the points you mention, it would completely undermine our efforts to ensure that London retains its place as a top European and World city (with all that means in terms of invisible and tourism earnings) and would have severe repercussions amongst our supporters, more widely and in Kent in particular. As you suggest, ways will need to be found for providing support for the project. How that is done is largely a matter for you and Ken to consider. The way forward you propose seems sensible, though not without its presentational difficulties, and likely to minimise the eventual call on the public purse.

On the proposals for the pre-qualification documents for the competition, it is essential to take the line you propose on the scope for varying the route and stations. An enormous amount of work has been done and extensive public consultations carried out to reach where we are now. Any suggestion that we are re-opening any of the key issues will have a highly damaging effect, perpetuating blight over a wide area.

There are several points of detail on the proposals in the annex to your letter. Firstly, on stations, in addition to requiring that there should be at least one international and one domestic (possibly combined) intermediate station(s) (para 14), the document should invite the bidders to consider, and report, on the case for a station at each of the locations identified by us, having regard to the scope for maximising revenues and contributions from associated development. Assuming you accept my proposal to limit the number of station options to two (Stratford and Ebbsfleet) this should not be too much of a

burden. It is also proposed to make the "Promoco" responsible for promoting intermediate stations, possibly in partnership with the existing station promoter groups. This needs to be carefully presented to avoid the implication that the groups the Government encouraged to be set up are now being jettisoned.

Para 19 implies that there will be no "Code of Construction Practice" (specifying construction arrangements, spoil disposal etc). However, I gather that it is intended that the pre-qualification documents will say that there must be a Code, to be agreed later. My officials will need to be involved in drawing up that Code. On that basis I am content. Para 21 on BR property issues refers only to the Kings Cross railway lands. My letter of 11 January raised concerns about the disposal of the railway lands at Stratford and the need to keep open the long box option when privatisation is implemented. I trust that this point has been taken on board.

Copies of this letter go to the Prime Minister, Ken Clarke, Douglas Hurd, Michael Heseltine, John Wakeham, Tony Newton and Richard Ryder.

JOHN GUMMER

POLICY IN CONFIDENCE

038/01/P

PRIVY COUNCIL OFFICE
WHITEHALL. LONDON SW1A 2AT

FOLIO 64P

Mr Nwn cc Mr Sandall
Mrs Mapes

12 JAN 1994

CABINET OFFICE
K 4232
13 JAN 1994
FILING INSTRUCTIONS
FILE No. R1417

Dear John.

CHANNEL TUNNEL RAIL LINK

I have seen a copy of your minute of 23 December to the Prime Minister.

In paragraph 19 you suggest that the proposed widening scheme for the M2 should be incorporated in the Channel Tunnel Rail Link hybrid Bill. This is a very substantial change in the nature of the hybrid Bill for which you are bidding for a place in the 1994/95 legislative programme having withdrawn it from this session's programme. Before final decisions are taken, FLG Committee will want to look closely at the implications for the scope, handling and timing of the Bill so that its claims for a place in the programme can be judged alongside other priorities. Current expectations are that FLG will put recommendations to Cabinet on the 1994/95 programme by Easter. In the meantime you will need to ensure that no public commitments are given about when a hybrid Bill is likely to be introduced or whether it will include M2 widening provisions.

I am copying this to the Prime Minister, Ken Clarke, Michael Heseltine, John Wakeham, John Gummer and Richard Ryder.

Yours ever.
Tony.

TONY NEWTON

Rt Hon John MacGregor OBE MP
Secretary of State for Transport
2 Marsham Street
London SW1P 3EB

POLICY IN CONFIDENCE

CABINET OFFICE
F 4627
13 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

CONFIDENTIAL

cc Mr Owen
Mr Bird
Mr Marston

2 MARSHAM STREET
LONDON SW1P 3EB
071-276 3000

FOLIO 64N

My ref: G/PSO/473/94
Your ref:

The Rt Hon John MacGregor OBE MP
Department of Transport
S13/04
2 Marsham Street
London SW1A

12 January 1994

13 JAN 1994

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JOHN GUMMER

Mr Owen
cc Mr Sandall
Mr Niven
Mr Bettle

meeting fixed for Monday
17 Jan at 12 RB 14/1

CONFIDENTIAL



10 DOWNING STREET
LONDON SW1A 2AA

CABINET OFFICE
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14 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/2

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64
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From the Private Secretary

12 January 1994

Dear Paul,-

CROSSRAIL

The Prime Minister has seen the Chancellor's letter of 10 January and your Secretary of State's minute of 11 January about the future of the CrossRail project.

Before Ministers discuss this, the Prime Minister would like the Cabinet Office to prepare a paper setting out the background and the options. The paper should cover, amongst other things:

- the recommendations received from consultants;
- the scope for cost savings within the existing plan for CrossRail;
- options for achieving further savings by amending the existing plan;
- the likelihood of attracting private finance under each of the options, and the implications for the project if private finance were not forthcoming;
- an assessment of each option, including costs, legislative requirements (in particular whether the present Bill would need to be withdrawn), political implications, and timing.

I should also be grateful for advice on whether decisions need to be taken before the meeting of the Bill Committee on 25 January.

I am copying this letter to Nick Macpherson (H M Treasury) and Melanie Leech and Richard Bird (Cabinet Office).

Yours, Mary

MRS. MARY FRANCIS

Paul Coby, Esq.,
Department of Transport

CONFIDENTIAL

CONFIDENTIAL

Sir Robin Butler

CABINET OFFICE
A 501
13 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

12 January 1994

Dear Paul,-

(Mr Bird o/c)

CROSSRAIL

The Prime Minister has seen the Chancellor's letter of 10 January and your Secretary of State's minute of 11 January about the future of the CrossRail project.

Before Ministers discuss this, the Prime Minister would like the Cabinet Office to prepare a paper setting out the background and the options. The paper should cover, amongst other things:

- the recommendations received from consultants;
- the scope for cost savings within the existing plan for CrossRail;
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I should also be grateful for advice on whether decisions need to be taken before the meeting of the Bill Committee on 25 January.

I am copying this letter to Nick Macpherson (H M Treasury) and Melanie Leech and Richard Bird (Cabinet Office).

Yours, Mary

MRS. MARY FRANCIS

Paul Coby, Esq.,
Department of Transport

CONFIDENTIAL

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
071-276 3000

CONFIDENTIAL

cc MR OWEN
MR BIRD
MR MARSTON

FOLIO 63

My ref: G/PSO/473/94
Your ref:

The Rt Hon John MacGregor OBE MP
Department of Transport
S13/04
2 Marsham Street
London SW1A

12 January 1994

CABINET OFFICE
P 11305
13 JAN 1994
FILING INSTRUCTIONS
FILE No. R14

Dear John

CHANNEL TUNNEL RAIL LINK JOINT VENTURE COMPETITION

Thank you for the copy of your letter of 11 January to Ken Clarke about the arrangements for the joint venture competition.

I very strongly endorse your judgement that abandoning this project is not an option we can realistically contemplate. In addition to the points you mention, it would completely undermine our efforts to ensure that London retains its place as a top European and World city (with all that means in terms of invisible and tourism earnings) and would have severe repercussions amongst our supporters, more widely and in Kent in particular. As you suggest, ways will need to be found for providing support for the project. How that is done is largely a matter for you and Ken to consider. The way forward you propose seems sensible, though not without its presentational difficulties, and likely to minimise the eventual call on the public purse.

On the proposals for the pre-qualification documents for the competition, it is essential to take the line you propose on the scope for varying the route and stations. An enormous amount of work has been done and extensive public consultations carried out to reach where we are now. Any suggestion that we are re-opening any of the key issues will have a highly damaging effect, perpetuating blight over a wide area.

There are several points of detail on the proposals in the annex to your letter. Firstly, on stations, in addition to requiring that there should be at least one international and one domestic (possibly combined) intermediate station(s) (para 14), the document should invite the bidders to consider, and report, on the case for a station at each of the locations identified by us, having regard to the scope for maximising revenues and contributions from associated development. Assuming you accept my proposal to limit the number of station options to two (Stratford and Ebbsfleet) this should not be too much of a

burden. It is also proposed to make the "Promoco" responsible for promoting intermediate stations, possibly in partnership with the existing station promoter groups. This needs to be carefully presented to avoid the implication that the groups the Government encouraged to be set up are now being jettisoned.

Para 19 implies that there will be no "Code of Construction Practice" (specifying construction arrangements, spoil disposal etc). However, I gather that it is intended that the pre-qualification documents will say that there must be a Code, to be agreed later. My officials will need to be involved in drawing up that Code. On that basis I am content. Para 21 on BR property issues refers only to the Kings Cross railway lands. My letter of 11 January raised concerns about the disposal of the railway lands at Stratford and the need to keep open the long box option when privatisation is implemented. I trust that this point has been taken on board.

Copies of this letter go to the Prime Minister, Ken Clarke, Douglas Hurd, Michael Heseltine, John Wakeham, Tony Newton and Richard Ryder.

JOHN GUMMER

POLICY IN CONFIDENCE

cc MR CULLEN
MR BIRD
MR MARSTON

038/01/P

PRIVY COUNCIL OFFICE
WHITEHALL. LONDON SW1A 2AT

FOLIO 62

13 JAN 1994
LORD PRIVY SEAL

12 JAN 1994

CABINET OFFICE
P 11299
13 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

Dear John.

CHANNEL TUNNEL RAIL LINK

I have seen a copy of your minute of 23 December to the Prime Minister.

In paragraph 19 you suggest that the proposed widening scheme for the M2 should be incorporated in the Channel Tunnel Rail Link hybrid Bill. This is a very substantial change in the nature of the hybrid Bill for which you are bidding for a place in the 1994/95 legislative programme having withdrawn it from this session's programme. Before final decisions are taken, FLG Committee will want to look closely at the implications for the scope, handling and timing of the Bill so that its claims for a place in the programme can be judged alongside other priorities. Current expectations are that FLG will put recommendations to Cabinet on the 1994/95 programme by Easter. In the meantime you will need to ensure that no public commitments are given about when a hybrid Bill is likely to be introduced or whether it will include M2 widening provisions.

I am copying this to the Prime Minister, Ken Clarke, Michael Heseltine, John Wakeham, John Gummer and Richard Ryder.

Yours ever.
Tony

TONY NEWTON

Rt Hon John MacGregor OBE MP
Secretary of State for Transport
2 Marsham Street
London SW1P 3EB

POLICY IN CONFIDENCE

cc MR OWEN
MR BIRD
MR MARSTON

CONFIDENTIAL

FOLIO 61Q

CABINET OFFICE
F 4584
12 JAN 1994
FILING INSTRUCTIONS
FILE No. RM 4/7

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

The Rt Hon Kenneth Clarke QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

11 JAN 1994
PRIVY SEAL

Kenneth,

11 JAN 1994

CHANNEL TUNNEL RAIL LINK JOINT VENTURE COMPETITION

In my 11 November announcement about taking forward the CTRL as a joint venture, I said that our objective was to issue the pre-qualification documents (PQDs) in January. Before officials can start to draft the PQDs, there are a number of issues of principle which we need to agree. I wish to draw particular attention to two points: the economic justification for the project; and whether we should allow bidders to propose alternative routes.

In my 22 March oral statement I said that the Government was prepared to provide substantial public sector support in recognition of the domestic transport benefits from the new line. And in response to the concerns of a number of our supporters, I ruled out providing subsidy for the international aspects of the railway. Unfortunately, this line is no longer tenable. The latest estimate of the total public support required by the project is some £1.7 billion (£150 million higher than in March); but the social benefits from the domestic services are now assessed to be around £700 billion (some £400 million less than thought in March). So there is now a gap of £1 billion; and even if we provided support for regeneration benefits as well (on which there must be considerable uncertainty), the gap would still be at least £600 million.

Given these facts, we have three choices: either abandon the project, or revert to taking it forward in the public sector, or acknowledge that some support will be required in respect of the international benefits as well as the domestic benefits.

To abandon the project would be an immense blow to the prestige both of the nation and of the Government; the contrast with the new line on the other side of the Channel would attract even more criticism than it does already. Furthermore, abandonment would not

be justified since the benefits to international travellers are extremely large and the project still gives an attractive cost-benefit return.

If we reverted to taking the project forward in the public sector, its financial return remains sufficient to enable it to be financed very largely by borrowing; and we would certainly not need to provide support in respect of international benefits. However the public expenditure burden would be much greater. We would lose the initiative and the discipline of the private sector. And to drop what is one of the most important schemes in the Private Finance Initiative would be very damaging to the whole Initiative.

I have therefore concluded that the least of the evils is to acknowledge that we shall need to provide support in respect of some (about a third) of the international benefits. There is no legal bar to this, since section 42 of the Channel Tunnel Act 1987 only forbids support to British Rail; it does not bite on a private sector project. However, we shall certainly be criticised by the cross-Channel ferry companies and some of our supporters, and perhaps by the airlines.

On the other hand there are two advantages to this move. Firstly, and most importantly, we shall no longer need to maximise the domestic benefits; instead our objective can revert to what it should be, namely to achieve the most cost-effective project possible. Secondly, it will make it much easier to seek and obtain support from the European Commission since their interest is in the international benefits (especially as the rail link is one of the top priority projects in the Commission's recent White Paper on Growth, Competitiveness and Employment).

If you and colleagues agree with this analysis and conclusion, I shall want to press ahead rapidly with the competition to select a private sector promoter, and to issue the pre-qualification documents within the next few weeks. I set out in the attached note my proposals on the main elements of the pre-qualification documents. There is one matter to which I attach particular importance. This is the scope which we can offer to the bidders to propose alternative routes.

Subject to the agreement of colleagues, I hope to announce next week the Government's conclusions on the route, terminus and intermediate stations for the rail link, following the very extensive consultation which Union Railways have led since March last year. In my view, it is essential that this route is final. If there is the slightest hint that there may be yet more changes, we shall be seen as going backwards, not forwards; and this will be the perception of potential bidders as much as of everyone else. We must remember that the private sector has been very heavily involved in the development of the present route over the last three years; and all the key decisions in the progressive refinement of the route during this period have been taken not by British Rail but by us.

You have already acknowledged that there must be a "presumption against" any further route changes. We now need to firm up a little on this, both for the pre-qualification documents and for my announcement of the route. I do not want to fetter the initiative of the private sector bidders any more than we have to; and I do

believe that we can give them some discretion. I propose that there should be two constraints: firstly, any alternative route proposals must be confined to the corridor which we shall safeguard following the route announcement (and which will need to be tightly defined); secondly, any alternative proposals must not have a material adverse effect upon any of the assessed environmental impacts of the precise route and mitigation which will be the basis of the safeguarded corridor. If we were to allow any greater latitude, it would be necessary to produce a revised environmental impact assessment and to hold further public consultation before we could take a view on the proposed new route. This would inevitably cause considerable delay, as well as being immensely damaging politically.

In view of the tight timetable for the pre-qualification documents, I should be grateful to know as soon as possible whether you and colleagues are content with my proposals. If any aspects cause difficulties for you, perhaps we could discuss at our meeting on Thursday?

I am copying this letter and attachments to the Prime Minister, Douglas Hurd, Michael Heseltine, John Gummer, John Wakeham, Tony Newton and Richard Ryder.

Yours ever,

JM

JOHN MACGREGOR

ANNEX

CHANNEL TUNNEL RAIL LINK
KEY PRINCIPLES FOR PRIVATE SECTOR COMPETITION

1. This note addresses the main principles for the competition to appoint a private sector promoter (Promoco) for the Channel Tunnel Rail Link (CTRL). They are all issues which will need to be covered in the pre-qualification documents (PQDs) which are scheduled for issue around the end of January.

Concession or outright sale?

2. The first issue is whether the joint venture should be in the form of a time-limited concession or an outright sale. The general argument for an outright sale is that this would achieve a clean break, and would minimise the danger of Government being dragged back in if problems arise. However, in the case of CTRL and EPS the Government could not allow the chosen promoter to continue to benefit from the revenues of EPS if he failed to build CTRL. So it will not be practicable to achieve an entirely clean break, and the contract with the promoter will need to ensure that EPS reverts to the Government if the promoter fails to build CTRL.

3. In these circumstances, perhaps the only major difference between a concession and outright sale is that at the end of a concession the company will revert to the Government. This should enable the Government to realise substantial value (for instance through a competition for a further concession). Hill Samuel advise that, provided that the concession is for a sufficiently long period, there will be very little reduction in the value of the venture as perceived by the private sector, because of the higher discount rates which the private sector uses. I therefore propose that the joint venture should be in the form of a concession, which should terminate at the same time as the Eurotunnel concession. This will both avoid difficulties with guaranteeing obligations to Eurotunnel after the end of the CTRL/EPS concession, and will enable Government at that time to consider the future of the Channel tunnel, CTRL and EPS together.

4. Whether we proceed by way of a concession or an outright sale, we shall need to ensure that the Government's interests are properly protected, given the amount of support which we

shall be providing. The period of greatest risk will be up to Royal Assent and the subsequent financial close. There will then be a period of fairly high risk during construction of the line. Following the completion of construction the risks should be much less. Undoubtedly our first line of defence will be the contractual arrangements which we shall put in place between the Government and Promoco. However, I remain concerned that these may not be enough, and that there may be advantage in having a Government director on the board of Promoco.

When should EPS be transferred?

5. It is clear that EPS should have been transferred to the concessionaire by the time construction of the CTRL starts, so that the highly positive cash flow of EPS (having been relieved of its debt to the Government) can help to finance construction. However, there is an issue as to whether EPS should be transferred when construction starts (expected to be in 1997) or at the start of the concession (1995).

6. The arguments for including EPS from the start of the concession are that it will give the concessionaire control from the outset of a very important part of the overall business; it will improve his knowledge of EPS's operations and enable him to take that into account in the detailed design of the new line; and EPS's cash flow should be substantially positive in 1996/97, and we should be able to secure a small positive cash flow in 1995/96; so EPS should help to cover design and other costs at a time when financing will be particularly difficult and expensive for the concessionaire.

7. On the other hand, the private sector will ascribe a conservative value to EPS in a 1994 competition because EPS will not have a track record. A possible solution to this would be for tenderers to bid for the size of the total Government contribution required (ie. EPS plus cash), and for the portion provided by EPS being determined by a subsequent independent valuation of EPS (perhaps in 1997). This could be done regardless of whether control of EPS in the meantime was transferred to the concessionaire or remained with BR. Effectively this approach would mean that the risks associated with the start-up of EPS services and the Eurotunnel claim would remain with the public sector.

8. I shall be seeing Sir Bob Reid to discuss the EPS issue on Wednesday, and I expect he will offer a variety of reasons why EPS should remain in BR control for the time being. However, my view, subject to whatever points Sir Bob may make, is that we should transfer EPS to Promoco from the outset.

Domestic Services

9. There are two possible approaches to domestic services on the CTRL:

(i) for the concessionaire to be simply a provider of infrastructure capacity for domestic services; or

(ii) for the concessionaire to operate the domestic services also, and to gain the profits which they are expected to make.

10. While potentially the latter route would enable the concessionaire to achieve the greater profit, the uncertainties are substantially greater even than those which apply to EPS. The domestic service pattern has not yet been fully defined, the trains have not yet been designed, and there is not yet a market of train operators in the UK who would be well placed to make judgments on all these uncertainties. I therefore propose that the concessionaire should be required simply to provide the infrastructure capacity needed for a defined level of domestic services.

11. There could then in a few years time be a further competition for the right (which could be a franchise) to operate the domestic services over the new line. There are clear advantages to holding this nearer the time at which the services will start to operate, and by then there should be an established market of private sector operators - and Promoco could be one of the bidders. This approach would also enable us to take account of the consequential requirements (if any) for complimentary investment (for instance in Thameslink and the Underground lines serving St Pancras) when we decide what level of domestic service to accept.

Intermediate Stations

12. I propose that the Promoco should have the responsibility for promoting intermediate stations. This is because of the obvious importance of the operational interface with the new railway itself, and the need to maximise the commercial value of the scheme as a whole. Promoco should have the responsibility for negotiating the best deal that he can with the parties

involved before entering into any undertaking to construct. There may be scope for some form of partnership between Promoco and station promoters.

The parameters of the competition

13. Hill Samuel's firm advice, with which I agree, is that tenderers should be required to submit a "reference" bid which would be based upon the scheme worked up by Union Railways and as announced by me later this month. This is so as to provide a consistent basis for comparing the bids from the various tenderers, so that we have a benchmark. We would then encourage the tenderers to submit alternative bids, in which they could bring forward their own proposals within certain constraints which we would lay down. My proposals on the constraints are as follows (in addition to that on the route put forward in the covering letter).

Stations

14. On stations, we shall need to specify that the terminus is to be at St Pancras. We should also require, for regeneration reasons, that there should be at least one international and one domestic station (which could be a single combined station) within the East Thames Corridor area.

Domestic capacity

15. The Union Railways appraisal suggests that six domestic trains an hour in the peak (including the junctions at Westwell Leacon and Ebbsfleet) are justified financially. If we decide that the grade separated junction on the approaches to St Pancras should be required as part of the route, and if we conclude that at least one domestic station within the East Thames should be required, then the extra costs of providing for 12 (as opposed to 6) domestic trains an hour in the peak would be very small (and may well be nil); and the benefits to Kent would be much greater with 12 trains per hour than with six.

16. I therefore propose that for the reference bid we should specify a capacity to carry 12 domestic trains an hour in the peak between St Pancras and the Ebbsfleet junction. We should however allow bidders considerable latitude to exercise their ingenuity in reducing costs for

alternative bids, subject to their providing a politically acceptable level of domestic services for Kent. I therefore propose that the constraint on alternative bids should be a minimum of six domestic trains an hour in the peak (again, between St Pancras and the Ebbsfleet junction).

International capacity

17. We probably do not need to specify a minimum capacity for international services, as this can be left to the commercial judgment of Promoco. We should also leave to the concessionaire the decision as to whether or not to build the Gravesend West connection which provides access from the new line to Waterloo. In theory, the same principle should apply to the connections to the East and West Coast Main Lines for the north of London services; but these only cost £4 million each and I consider that leaving them out would lose so much of the line's political support as to be untenable.

Phasing

18. I suspect that phasing is one of the most promising ways for bidders to reduce the real costs of construction. I therefore suggest that, while the reference bid should be based upon rapid completion of the whole project (I propose within six years from Royal Assent), we should allow bidders full latitude to propose different timetables for all or parts of the project.

Construction practice

19. I propose that we should not impose parameters on a code of construction practice (including spoil disposal). These are areas in which the private sector has the greatest expertise, and it would not be desirable to fetter their flexibility. Promoco should also, of course, take the risk on these items.

Freight

20. We shall need to specify that the line has a basic technical capability to carry freight (eg. at least to UIC GB+ gauge, the maximum gradients and the minimum curvatures). However, freight loops and other facilities could be added later, though with extra cost and extra

disruption. At present it seems unlikely that there would be sufficient freight use of the new line to justify freight loops. We should therefore not require them, or advance works for them, but leave them to the commercial judgement of Promoco.

Property

21. We need to decide which BR property should be offered to Promoco and on what terms. I have suggested some principles to Sir Bob Reid and I await his detailed proposals. The key points to which I should draw attention are:

(a) property purchased for the Southerly route and which is not required for the route safeguarded in January 1994 should be transferred freehold to the concessionaire, to be sold in an orderly fashion; (essentially in order to assist with cash flow in the critical early years of the concession);

(b) as indicated in paragraph 17 of the existing FIG guidelines, the freehold of the King's Cross railway lands (west of the ECML but including St Pancras station) should initially remain with BR and be schemed subsequently to Union Railways, at nil consideration. Railtrack should obviously be given operating rights in relation to the existing railway infrastructure on the lands; I envisage the freehold of the development lands being passed to Promoco, so that he can gain the greatest value from the development opportunities.

Regulatory Regime

22. We shall need to consider to what extent we should create a tailor-made regulatory regime for this project. Clearly we shall not want to burden Promoco with all the regulation appropriate to a total national network. On the other hand, we should not depart unnecessarily from the framework of regulation which we have so recently established in the Railways Act. Officials are preparing further advice on this and we shall need to come back to the point in the light of that.

The Competition

23. I recommend that we should be prepared to make a contribution towards the costs of those bidders (probably only two or three) who secure prequalification but who do not win the concession, subject to their bids passing a quality threshold. This would be particularly appropriate in this case because the costs for each bidder will be very large (probably over £5 million), and because Eurorail are perceived as having an inside track because of the large amount of work they have already done on the project.

24. Finally, I should point out that our legal advice is that we cannot exclude from the competition state-owned bodies from other Member States. However, there is an issue as to whether we would secure a level playing field for the competition if either Eurotunnel or the French or Belgian railways were permitted to bid, since their agreement and cooperation will be necessary and there would be a clear danger of their being more cooperative with their own bid than with others. For this among other reasons, we shall probably also need to retain a right of pre-emption with regard to a subsequent sale by Promoco of EPS.

JOHN MACGREGOR
10 JANUARY 1994

cc MR OWEN
MR BIRD
MR MARSTON.

FOLIO 61P

CABINET OFFICE
F 4585
12 JAN 1994
FILING INSTRUCTIONS
FILE No. R1413

2 MARSHAM STREET
LONDON SW1P 3EB
071-276 3000

My ref :
Your ref : G/PSO/32680/93

The Rt Hon John MacGregor OBE MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London SW1P 3EB

11 January 1994

11 JAN 1994

CHANNEL TUNNEL RAIL LINK

Thank you for the copy of your minute of 23 December to the Prime Minister setting out proposals for decisions on the route, terminus and intermediate stations on the Channel Tunnel Rail Link.

As you know, officials from this Department have been closely involved with yours in the production of the report enclosed with your minute. We also had some preliminary discussion in the margins of the presentation on 13 December.

It may be no surprise to say, therefore, that I am content with the vast majority of your proposals. I am particularly pleased that we have been able to find a new and appropriate role for St Pancras, one of the major buildings in London. Though care will need to be taken to ensure that the extension is in harmony with the existing structure.

I accept that some difficult environmental issues remain along the proposed route. However, there would be environmental impacts from not building the link and we have to strike a balance between what could be done, by way of additional tunnelling and other mitigation measures and what is affordable. I accept that the judgements which have been reached are defensible, though I strongly support the proposals for modest extension of the property purchase policy in areas of particular impact on people's homes, such as at Barking and Mardyke Park in Purfleet. I note that you are considering the situation in Barking further and might yet propose additional tunnelling there, particularly if property purchase costs are high.

My particular concern is about intermediate stations. You rightly point out that the reason for selecting the easterly approach into London in 1991 was the opportunity this offered to stimulate development around the location of intermediate stations. It is important that we reiterate our commitment to the provision of at least one station. There are two sets of issues here: whether there is a case for a station at Stratford

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and which of Rainham or Ebbsfleet should be the "outer" East Thames Corridor station. (We seemed to agree on 13 December that Nashenden on the North Downs AONB is a non-runner).

There is no doubt that the greatest opportunity for achieving regeneration objectives is at Stratford. I think that a station here could play a major role in uplifting the economy of East London and in underpinning the success of Docklands. The transport evaluations which have so far been undertaken may underestimate the potential change in travel patterns once the Docklands developments and the regeneration of the East Thames and Lea Valley corridors are underway. The European Commission's recent decision on Objective 2 funding for Stratford and the Lea Valley is relevant to this. I therefore consider it essential that the longer 'box' is provided at Stratford to leave open the opportunity for a station to be developed in the future, if it is not provided at the outset. We should ask the private sector to explicitly consider this in bidding for the project. Nevertheless, I accept that the terms of the announcement to be made now should be as you propose. This will provide an opportunity for further work to be done and proposals to come forward. I propose that our officials should work closely with the Stratford promoters on this.

On Rainham and Ebbsfleet I would like to propose a different way forward. The advantages of Ebbsfleet so clearly outweigh those of Rainham that the retention of Rainham would not pose a real threat to Ebbsfleet. The purpose of retaining it, to exert pressure on Blue Circle, would be lost. Meanwhile we will have prolonged uncertainty and blight. I understand that even the Rainham promoters would prefer a clear cut decision now, even if it does not favour them, because that would allow them to pursue alternative development ideas. So far as Blue Circle is concerned the provision of the station can be conditional on their providing a substantial contribution towards costs. Greater certainty will also enable them to make progress in attracting financing and development partners. I would therefore prefer a firm choice in favour of Ebbsfleet now.

Your letter does not indicate whether you intend to safeguard all the station sites you propose to leave in the frame at this stage. For Stratford we shall need to ensure that the land concerned is vested in Union Railways next April.

I am copying this letter to the Prime minister, Ken Clarke, Michael Heseltine, John Wakeham, Tony Newton and Richard Ryder.

Yours ever

JOHN GUMMER

CONFIDENTIAL

Frances

DEPARTMENT OF TRANSPORT
2 MARSHAM ST

cc Mr Freeman
Mr Brown
Mr Montagu
Mr Rowlands
Mr Clarke
Mr Grimsey
Mr Henes
Ms Hopkins
Mr Thomas
Mr Burchell
Mr Griffins
Mr Helm
Mr Lambirth
Miss Williams
Miss Laing
Mr Schofield

FOLIO GLN

My ref:

Your ref:

Mr Nwai

The Rt Hon Kenneth Clarke QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

CABINET OFFICE
K A284
17 JAN 1994
FILING INSTRUCTIONS
FILE No. R141/7

11 JAN 1994

CHANNEL TUNNEL RAIL LINK JOINT VENTURE COMPETITION

In my 11 November announcement about taking forward the CTRL as a joint venture, I said that our objective was to issue the pre-qualification documents (PQDs) in January. Before officials can start to draft the PQDs, there are a number of issues of principle which we need to agree. I wish to draw particular attention to two points: the economic justification for the project; and whether we should allow bidders to propose alternative routes.

In my 22 March oral statement I said that the Government was prepared to provide substantial public sector support in recognition of the domestic transport benefits from the new line. And in response to the concerns of a number of our supporters, I ruled out providing subsidy for the international aspects of the railway. Unfortunately, this line is no longer tenable. The latest estimate of the total public support required by the project is some £1.7 billion (£150 million higher than in March); but the social benefits from the domestic services are now assessed to be around £700 billion (some £400 million less than thought in March). So there is now a gap of £1 billion; and even if we provided support for regeneration benefits as well (on which there must be considerable uncertainty), the gap would still be at least £600 million.

Given these facts, we have three choices: either abandon the project, or revert to taking it forward in the public sector, or acknowledge that some support will be required in respect of the international benefits as well as the domestic benefits.

To abandon the project would be an immense blow to the prestige both of the nation and of the Government; the contrast with the new line on the other side of the Channel would attract even more criticism than it does already. Furthermore, abandonment would not

be justified since the benefits to international travellers are extremely large and the project still gives an attractive cost-benefit return.

If we reverted to taking the project forward in the public sector, its financial return remains sufficient to enable it to be financed very largely by borrowing; and we would certainly not need to provide support in respect of international benefits. However the public expenditure burden would be much greater. We would lose the initiative and the discipline of the private sector. And to drop what is one of the most important schemes in the Private Finance Initiative would be very damaging to the whole Initiative.

I have therefore concluded that the least of the evils is to acknowledge that we shall need to provide support in respect of some (about a third) of the international benefits. There is no legal bar to this, since section 42 of the Channel Tunnel Act 1987 only forbids support to British Rail; it does not bite on a private sector project. However, we shall certainly be criticised by the cross-Channel ferry companies and some of our supporters, and perhaps by the airlines.

On the other hand there are two advantages to this move. Firstly, and most importantly, we shall no longer need to maximise the domestic benefits; instead our objective can revert to what it should be, namely to achieve the most cost-effective project possible. Secondly, it will make it much easier to seek and obtain support from the European Commission since their interest is in the international benefits (especially as the rail link is one of the top priority projects in the Commission's recent White Paper on Growth, Competitiveness and Employment).

If you and colleagues agree with this analysis and conclusion, I shall want to press ahead rapidly with the competition to select a private sector promoter, and to issue the pre-qualification documents within the next few weeks. I set out in the attached note my proposals on the main elements of the pre-qualification documents. There is one matter to which I attach particular importance. This is the scope which we can offer to the bidders to propose alternative routes.

Subject to the agreement of colleagues, I hope to announce next week the Government's conclusions on the route, terminus and intermediate stations for the rail link, following the very extensive consultation which Union Railways have led since March last year. In my view, it is essential that this route is final. If there is the slightest hint that there may be yet more changes, we shall be seen as going backwards, not forwards; and this will be the perception of potential bidders as much as of everyone else. We must remember that the private sector has been very heavily involved in the development of the present route over the last three years; and all the key decisions in the progressive refinement of the route during this period have been taken not by British Rail but by us.

You have already acknowledged that there must be a "presumption against" any further route changes. We now need to firm up a little on this, both for the pre-qualification documents and for my announcement of the route. I do not want to fetter the initiative of the private sector bidders any more than we have to; and I do

believe that we can give them some discretion. I propose that there should be two constraints: firstly, any alternative route proposals must be confined to the corridor which we shall safeguard following the route announcement (and which will need to be tightly defined); secondly, any alternative proposals must not have a material adverse effect upon any of the assessed environmental impacts of the precise route and mitigation which will be the basis of the safeguarded corridor. If we were to allow any greater latitude, it would be necessary to produce a revised environmental impact assessment and to hold further public consultation before we could take a view on the proposed new route. This would inevitably cause considerable delay, as well as being immensely damaging politically.

In view of the tight timetable for the pre-qualification documents, I should be grateful to know as soon as possible whether you and colleagues are content with my proposals. If any aspects cause difficulties for you, perhaps we could discuss at our meeting on Thursday?

I am copying this letter and attachments to the Prime Minister, Douglas Hurd, Michael Heseltine, John Gummer, John Wakeham, Tony Newton and Richard Ryder.

Yours ever,

JM

JOHN MACGREGOR

Sir Robin Butler

CONFIDENTIAL

SECRETARY OF STATE FOR TRANSPORT



CABINET OFFICE
A 377
12 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

FOLIO 61 m

PRIME MINISTER

C. Mr Owen
Mr Bird

CROSSRAIL

You have seen Ken Clarke's letter to me of 10 January, in which he says that it would be foolish in the extreme to carry on with the Crossrail Bill, which is due to return to its Committee on 25 January. I disagree strongly with Ken's view.

2. You are familiar with the background to this. Our Manifesto committed us to Crossrail, and you repeated your personal commitment to the scheme in a speech to the CBI last May. We had decided in March that Crossrail should go ahead as a joint venture: the studies by Bechtel and Warburgs confirmed that there was a sound basis for this, and that the scheme was well-conceived in engineering terms. At the meeting which you chaired on 18 May, we agreed that the Bill should go ahead unless further work showed that it would inhibit otherwise achievable cost savings.

3. That work, undertaken for us by the operators and Bovis-Gibb, has provided no such indication. On the contrary, they agree with their predecessors - Scott Wilson Kirkpatrick, and Bechtel - in validating the design and engineering of Crossrail, and its cost estimates. They have identified a programme of new engineering work which should yield savings over the coming months, as the design is refined and which is in no way inhibited by the Bill; in addition, involvement of the private sector more directly in the project may be expected to drive the estimates down further. I deal briefly with the costs below.

4. Ken argues that the economic case for Crossrail has collapsed, because the forecasts of demand are "wildly over-stated". While it is true that the Central London Rail Study forecasts of employment in London have so far failed to materialise, we must be wary of inferring from this that there will be inadequate demand for Crossrail. Even modest growth from today's depressed levels of employment would yield a healthy benefit:cost ratio for Crossrail; nor should we ignore the benefits to existing rail network users. The operators have calculated that over 70% of the potential demand is using the system already and that net benefits of £230m could be captured immediately. Forecasts of demand are notoriously difficult to

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make with any accuracy: repeated experience of major transport schemes - including RER in Paris and our own Victoria Line and Thameslink, not to mention the M25 - shows that models have a long history of seriously underestimating the demand for good new transport links. From a political point of view, it would be little short of disastrous to justify withdrawal from Crossrail on the grounds of inadequate future demand. To do so would imply little confidence either in our own economic policies and predictions of recovery, or in London's prospects as a "world city".

5. The figure of £3bn which Ken mentions is the total cost of the full Crossrail scheme at today's prices, and rounded up a little. The railway operators have now identified a reduced scheme, endorsed by our consultants, which would cost £2.5bn at today's prices. Nat West Markets, who have been advising the operators, believe (as did Warburgs) that it should be possible to cover half of this from private sector investment, with a healthy return (over 20% nominal IRR), and with a positive return also to the public sector share.

6. <u>This makes Crossrail a highly credible joint venture</u>. It does not bear out Ken's description of the scheme - a heavily-engineered project, involving tunnelling under densely built-up parts of London - as "hugely expensive". The options which our consultants have identified, and to which Ken refers in his letter, would almost all provide a degree of congestion relief. But they fall far short of being credible alternatives to Crossrail. They are no more than a poor second best, which no one - least of all the City - would see as coming near to meeting our Manifesto commitment to "East-West Crossrail, linking Paddington to Liverpool Street". In addition, the operators have seriously challenged the feasibility and cost of these options, knowing all too well how easy it is to underestimate costs at such an early stage and how difficult it is to operate reliable services through so many junctions.

7. Abandoning the Crossrail Bill would undoubtedly deal a serious blow to the credibility of our private finance initiative (PFI) and would sour the atmosphere for carrying forward the Channel Tunnel Rail Link and other transport projects. The logic of our approach to the PFI, which I wholeheartedly support, is to test the market by seeing what private sector partners we can attract to undertake joint ventures with us, and on what terms. <u>Unless we secure the powers which the Crossrail Bill will give us, there can be no prospect of arousing private sector interest:</u>

we will have burned our bridges. Once we have those powers, we can get a feel for such interest, and for the timescale to which it is geared. Ken may be right in supposing that we will have to wait some time for private finance to be available on sensible terms; but he may well not be. City enthusiasm suggests there will be many who take the contrary view. The only way to find out is by testing the water, and the only way to do that is by letting the Bill proceed.

8. I have outlined the key political dangers to us of abandoning the Crossrail Bill. I can see no offsetting advantages. Proceeding with the Bill entails no additional public expenditure for the foreseeable future, beyond the limited provision which we have already made to cover the cost of taking it through Parliament. Nor does it commit us to a timescale for construction: this will only go ahead if and when the private sector can raise a significant proportion of the necessary funds, after Royal Assent, on terms which meet our requirements for joint ventures.

9. If we have the Bill withdrawn, it will be seen as the death-knell for Crossrail. The political price, as I have indicated, would be immensely high, not least taking into account the forthcoming local and European elections. We should be perceived as reneging on a key Manifesto promise to which the CBI, London First and the business community attach great importance. The City and the media would see it as a body-blow to the City. Our own confidence in our economic policies and in the PFI would be severely impugned. We agreed at your meeting last year that the only reason for withdrawing the Bill would be if it inhibited cost savings on the project. Repeated studies have shown that it will not do so, and I see every reason for abiding by our decision to let the Bill proceed.

10. I am copying this minute to Ken Clarke, Michael Heseltine and John Gummer, and to Sir Robin Butler.

jm

JOHN MACGREGOR

11 JAN 1994

cc MR OWEN
MR BIRD
MR MARSTON

CONFIDENTIAL

FOLIO 61

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

The Rt Hon Kenneth Clarke QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

CABINET OFFICE
B 11253
12 JAN 1994
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FILE No. R14/7

11 JAN 1994
PRIVY SEAL

11 JAN 1994

CHANNEL TUNNEL RAIL LINK JOINT VENTURE COMPETITION

In my 11 November announcement about taking forward the CTRL as a joint venture, I said that our objective was to issue the pre-qualification documents (PQDs) in January. Before officials can start to draft the PQDs, there are a number of issues of principle which we need to agree. I wish to draw particular attention to two points: the economic justification for the project; and whether we should allow bidders to propose alternative routes.

In my 22 March oral statement I said that the Government was prepared to provide substantial public sector support in recognition of the domestic transport benefits from the new line. And in response to the concerns of a number of our supporters, I ruled out providing subsidy for the international aspects of the railway. Unfortunately, this line is no longer tenable. The latest estimate of the total public support required by the project is some £1.7 billion (£150 million higher than in March); but the social benefits from the domestic services are now assessed to be around £700 billion (some £400 million less than thought in March). So there is now a gap of £1 billion; and even if we provided support for regeneration benefits as well (on which there must be considerable uncertainty), the gap would still be at least £600 million.

Given these facts, we have three choices: either abandon the project, or revert to taking it forward in the public sector, or acknowledge that some support will be required in respect of the international benefits as well as the domestic benefits.

To abandon the project would be an immense blow to the prestige both of the nation and of the Government; the contrast with the new line on the other side of the Channel would attract even more criticism than it does already. Furthermore, abandonment would not

be justified since the benefits to international travellers are extremely large and the project still gives an attractive cost-benefit return.

If we reverted to taking the project forward in the public sector, its financial return remains sufficient to enable it to be financed very largely by borrowing; and we would certainly not need to provide support in respect of international benefits. However the public expenditure burden would be much greater. We would lose the initiative and the discipline of the private sector. And to drop what is one of the most important schemes in the Private Finance Initiative would be very damaging to the whole Initiative.

I have therefore concluded that the least of the evils is to acknowledge that we shall need to provide support in respect of some (about a third) of the international benefits. There is no legal bar to this, since section 42 of the Channel Tunnel Act 1987 only forbids support to British Rail; it does not bite on a private sector project. However, we shall certainly be criticised by the cross-Channel ferry companies and some of our supporters, and perhaps by the airlines.

On the other hand there are two advantages to this move. Firstly, and most importantly, we shall no longer need to maximise the domestic benefits; instead our objective can revert to what it should be, namely to achieve the most cost-effective project possible. Secondly, it will make it much easier to seek and obtain support from the European Commission since their interest is in the international benefits (especially as the rail link is one of the top priority projects in the Commission's recent White Paper on Growth, Competitiveness and Employment).

If you and colleagues agree with this analysis and conclusion, I shall want to press ahead rapidly with the competition to select a private sector promoter, and to issue the pre-qualification documents within the next few weeks. I set out in the attached note my proposals on the main elements of the pre-qualification documents. There is one matter to which I attach particular importance. This is the scope which we can offer to the bidders to propose alternative routes.

Subject to the agreement of colleagues, I hope to announce next week the Government's conclusions on the route, terminus and intermediate stations for the rail link, following the very extensive consultation which Union Railways have led since March last year. In my view, it is essential that this route is final. If there is the slightest hint that there may be yet more changes, we shall be seen as going backwards, not forwards; and this will be the perception of potential bidders as much as of everyone else. We must remember that the private sector has been very heavily involved in the development of the present route over the last three years; and all the key decisions in the progressive refinement of the route during this period have been taken not by British Rail but by us.

You have already acknowledged that there must be a "presumption against" any further route changes. We now need to firm up a little on this, both for the pre-qualification documents and for my announcement of the route. I do not want to fetter the initiative of the private sector bidders any more than we have to; and I do

believe that we can give them some discretion. I propose that there should be two constraints: firstly, any alternative route proposals must be confined to the corridor which we shall safeguard following the route announcement (and which will need to be tightly defined); secondly, any alternative proposals must not have a material adverse effect upon any of the assessed environmental impacts of the precise route and mitigation which will be the basis of the safeguarded corridor. If we were to allow any greater latitude, it would be necessary to produce a revised environmental impact assessment and to hold further public consultation before we could take a view on the proposed new route. This would inevitably cause considerable delay, as well as being immensely damaging politically.

In view of the tight timetable for the pre-qualification documents, I should be grateful to know as soon as possible whether you and colleagues are content with my proposals. If any aspects cause difficulties for you, perhaps we could discuss at our meeting on Thursday?

I am copying this letter and attachments to the Prime Minister, Douglas Hurd, Michael Heseltine, John Gummer, John Wakeham, Tony Newton and Richard Ryder.

Yours ever,

JOHN MACGREGOR

ANNEX

CHANNEL TUNNEL RAIL LINK
KEY PRINCIPLES FOR PRIVATE SECTOR COMPETITION

1. This note addresses the main principles for the competition to appoint a private sector promoter (Promoco) for the Channel Tunnel Rail Link (CTRL). They are all issues which will need to be covered in the pre-qualification documents (PQDs) which are scheduled for issue around the end of January.

Concession or outright sale?

2. The first issue is whether the joint venture should be in the form of a time-limited concession or an outright sale. The general argument for an outright sale is that this would achieve a clean break, and would minimise the danger of Government being dragged back in if problems arise. However, in the case of CTRL and EPS the Government could not allow the chosen promoter to continue to benefit from the revenues of EPS if he failed to build CTRL. So it will not be practicable to achieve an entirely clean break, and the contract with the promoter will need to ensure that EPS reverts to the Government if the promoter fails to build CTRL.

3. In these circumstances, perhaps the only major difference between a concession and outright sale is that at the end of a concession the company will revert to the Government. This should enable the Government to realise substantial value (for instance through a competition for a further concession). Hill Samuel advise that, provided that the concession is for a sufficiently long period, there will be very little reduction in the value of the venture as perceived by the private sector, because of the higher discount rates which the private sector uses. I therefore propose that the joint venture should be in the form of a concession, which should terminate at the same time as the Eurotunnel concession. This will both avoid difficulties with guaranteeing obligations to Eurotunnel after the end of the CTRL/EPS concession, and will enable Government at that time to consider the future of the Channel tunnel, CTRL and EPS together.

4. Whether we proceed by way of a concession or an outright sale, we shall need to ensure that the Government's interests are properly protected, given the amount of support which we

shall be providing. The period of greatest risk will be up to Royal Assent and the subsequent financial close. There will then be a period of fairly high risk during construction of the line. Following the completion of construction the risks should be much less. Undoubtedly our first line of defence will be the contractual arrangements which we shall put in place between the Government and Promoco. However, I remain concerned that these may not be enough, and that there may be advantage in having a Government director on the board of Promoco.

When should EPS be transferred?

5. It is clear that EPS should have been transferred to the concessionaire by the time construction of the CTRL starts, so that the highly positive cash flow of EPS (having been relieved of its debt to the Government) can help to finance construction. However, there is an issue as to whether EPS should be transferred when construction starts (expected to be in 1997) or at the start of the concession (1995).

6. The arguments for including EPS from the start of the concession are that it will give the concessionaire control from the outset of a very important part of the overall business; it will improve his knowledge of EPS's operations and enable him to take that into account in the detailed design of the new line; and EPS's cash flow should be substantially positive in 1996/97, and we should be able to secure a small positive cash flow in 1995/96; so EPS should help to cover design and other costs at a time when financing will be particularly difficult and expensive for the concessionaire.

7. On the other hand, the private sector will ascribe a conservative value to EPS in a 1994 competition because EPS will not have a track record. A possible solution to this would be for tenderers to bid for the size of the total Government contribution required (ie. EPS plus cash), and for the portion provided by EPS being determined by a subsequent independent valuation of EPS (perhaps in 1997). This could be done regardless of whether control of EPS in the meantime was transferred to the concessionaire or remained with BR. Effectively this approach would mean that the risks associated with the start-up of EPS services and the Eurotunnel claim would remain with the public sector.

8. I shall be seeing Sir Bob Reid to discuss the EPS issue on Wednesday, and I expect he will offer a variety of reasons why EPS should remain in BR control for the time being. However, my view, subject to whatever points Sir Bob may make, is that we should transfer EPS to Promoco from the outset.

Domestic Services

9. There are two possible approaches to domestic services on the CTRL:

(i) for the concessionaire to be simply a provider of infrastructure capacity for domestic services; or

(ii) for the concessionaire to operate the domestic services also, and to gain the profits which they are expected to make.

10. While potentially the latter route would enable the concessionaire to achieve the greater profit, the uncertainties are substantially greater even than those which apply to EPS. The domestic service pattern has not yet been fully defined, the trains have not yet been designed, and there is not yet a market of train operators in the UK who would be well placed to make judgments on all these uncertainties. I therefore propose that the concessionaire should be required simply to provide the infrastructure capacity needed for a defined level of domestic services.

11. There could then in a few years time be a further competition for the right (which could be a franchise) to operate the domestic services over the new line. There are clear advantages to holding this nearer the time at which the services will start to operate, and by then there should be an established market of private sector operators - and Promoco could be one of the bidders. This approach would also enable us to take account of the consequential requirements (if any) for complimentary investment (for instance in Thameslink and the Underground lines serving St Pancras) when we decide what level of domestic service to accept.

Intermediate Stations

12. I propose that the Promoco should have the responsibility for promoting intermediate stations. This is because of the obvious importance of the operational interface with the new railway itself, and the need to maximise the commercial value of the scheme as a whole. Promoco should have the responsibility for negotiating the best deal that he can with the parties

involved before entering into any undertaking to construct. There may be scope for some form of partnership between Promoco and station promoters.

The parameters of the competition

13. Hill Samuel's firm advice, with which I agree, is that tenderers should be required to submit a "reference" bid which would be based upon the scheme worked up by Union Railways and as announced by me later this month. This is so as to provide a consistent basis for comparing the bids from the various tenderers, so that we have a benchmark. We would then encourage the tenderers to submit alternative bids, in which they could bring forward their own proposals within certain constraints which we would lay down. My proposals on the constraints are as follows (in addition to that on the route put forward in the covering letter).

Stations

14. On stations, we shall need to specify that the terminus is to be at St Pancras. We should also require, for regeneration reasons, that there should be at least one international and one domestic station (which could be a single combined station) within the East Thames Corridor area.

Domestic capacity

15. The Union Railways appraisal suggests that six domestic trains an hour in the peak (including the junctions at Westwell Leacon and Ebbsfleet) are justified financially. If we decide that the grade separated junction on the approaches to St Pancras should be required as part of the route, and if we conclude that at least one domestic station within the East Thames should be required, then the extra costs of providing for 12 (as opposed to 6) domestic trains an hour in the peak would be very small (and may well be nil); and the benefits to Kent would be much greater with 12 trains per hour than with six.

16. I therefore propose that for the reference bid we should specify a capacity to carry 12 domestic trains an hour in the peak between St Pancras and the Ebbsfleet junction. We should however allow bidders considerable latitude to exercise their ingenuity in reducing costs for

alternative bids, subject to their providing a politically acceptable level of domestic services for Kent. I therefore propose that the constraint on alternative bids should be a minimum of six domestic trains an hour in the peak (again, between St Pancras and the Ebbsfleet junction).

International capacity

17. We probably do not need to specify a minimum capacity for international services, as this can be left to the commercial judgment of Promoco. We should also leave to the concessionaire the decision as to whether or not to build the Gravesend West connection which provides access from the new line to Waterloo. In theory, the same principle should apply to the connections to the East and West Coast Main Lines for the north of London services; but these only cost £4 million each and I consider that leaving them out would lose so much of the line's political support as to be untenable.

Phasing

18. I suspect that phasing is one of the most promising ways for bidders to reduce the real costs of construction. I therefore suggest that, while the reference bid should be based upon rapid completion of the whole project (I propose within six years from Royal Assent), we should allow bidders full latitude to propose different timetables for all or parts of the project.

Construction practice

19. I propose that we should not impose parameters on a code of construction practice (including spoil disposal). These are areas in which the private sector has the greatest expertise, and it would not be desirable to fetter their flexibility. Promoco should also, of course, take the risk on these items.

Freight

20. We shall need to specify that the line has a basic technical capability to carry freight (eg. at least to UIC GB+ gauge, the maximum gradients and the minimum curvatures). However, freight loops and other facilities could be added later, though with extra cost and extra

disruption. At present it seems unlikely that there would be sufficient freight use of the new line to justify freight loops. We should therefore not require them, or advance works for them, but leave them to the commercial judgement of Promoco.

Property

21. We need to decide which BR property should be offered to Promoco and on what terms. I have suggested some principles to Sir Bob Reid and I await his detailed proposals. The key points to which I should draw attention are:

(a) property purchased for the Southerly route and which is not required for the route safeguarded in January 1994 should be transferred freehold to the concessionaire, to be sold in an orderly fashion; (essentially in order to assist with cash flow in the critical early years of the concession);

(b) as indicated in paragraph 17 of the existing FIG guidelines, the freehold of the King's Cross railway lands (west of the ECML but including St Pancras station) should initially remain with BR and be schemed subsequently to Union Railways, at nil consideration. Railtrack should obviously be given operating rights in relation to the existing railway infrastructure on the lands; I envisage the freehold of the development lands being passed to Promoco, so that he can gain the greatest value from the development opportunities.

Regulatory Regime

22. We shall need to consider to what extent we should create a tailor-made regulatory regime for this project. Clearly we shall not want to burden Promoco with all the regulation appropriate to a total national network. On the other hand, we should not depart unnecessarily from the framework of regulation which we have so recently established in the Railways Act. Officials are preparing further advice on this and we shall need to come back to the point in the light of that.

The Competition

23. I recommend that we should be prepared to make a contribution towards the costs of those bidders (probably only two or three) who secure prequalification but who do not win the concession, subject to their bids passing a quality threshold. This would be particularly appropriate in this case because the costs for each bidder will be very large (probably over £5 million), and because Eurorail are perceived as having an inside track because of the large amount of work they have already done on the project.

24. Finally, I should point out that our legal advice is that we cannot exclude from the competition state-owned bodies from other Member States. However, there is an issue as to whether we would secure a level playing field for the competition if either Eurotunnel or the French or Belgian railways were permitted to bid, since their agreement and cooperation will be necessary and there would be a clear danger of their being more cooperative with their own bid than with others. For this among other reasons, we shall probably also need to retain a right of pre-emption with regard to a subsequent sale by Promoco of EPS.

JOHN MACGREGOR
10 JANUARY 1994

FOLIO 60

KO898

R14/7

FW

FROM: R BIRD
DATE: 11 January 1994

cc: Sir Peter Graham
Mr Owen
Mr Niven
Mr Sandall
Miss Harper
Mr Marston
Mr Ollard
Miss Turnbull
Mr Moman

MR SANDEMAN

CHANNEL TUNNEL RAIL LINK

I undertook to let the Lord President have advice on the proposal in paragraph 19 of Mr MacGregor's minute of 23 December that the proposed Channel Tunnel Rail Link hybrid Bill should include the widening scheme for the M2 (it is of course highly unusual for the route for a road scheme to be settled by Parliament and not at a public inquiry).

2. DTP have provided some further details. The widening of the section of the M2 round the Medway Towns (J1-J4) from 2 lanes to 4 lanes is a national motorway programme scheme and not directly linked to the Channel Tunnel Rail Link. The justification for including it in the CTRL hybrid Bill is that the proposed route for the CTRL runs alongside most of the section of the M2 to be widened. Linkage would enable Parliament to consider the overall environmental impact of the 2 schemes together (adjacent bridges across the River Medway are involved). There has also apparently been some pressure from local residents for the 2 schemes to be considered in the same legislation. The earlier Channel Tunnel hybrid Bill contained road as well as rail provisions (a section of the new A20 between Folkestone and Dover was included largely to placate ferry interests concerned about access to the port of Dover).

3. However DTP officials acknowledge that including the M2 widening scheme in the Bill is likely to complicate its handling. It would

attract opposition from the anti-roads lobby who might well get support from Opposition MPs on the Bill Committee (the A20 provisions were apparently fiercely contested during proceedings on the Channel Tunnel hybrid Bill). There is also a danger that the Government would come under pressure to accept an amendment requiring the CTRL and M2 widening schemes to be constructed together to minimise environmental disruption. This would cause difficulties in practical terms because there is no current presumption that the 2 schemes would be constructed at the same time. The timing of construction will be determined largely by the availability of finance which will come from different sources (public sector for the M2, mainly private sector for CTRL).

4. This is all going to require considerable further thought. The formal position is that following Mr MacGregor's decision to withdraw the Bill from the 1993/94 programme it still has to secure a firm place in the 1994/95 programme (in practice more Parliamentary time is likely to be taken up in the 1995/96 session). Before final decisions are taken, FLG will need to assess the likely impact of the M2 proposals on the handling and timing of the Bill, and its drafting. A public announcement at this stage about including the M2 in the Bill would be premature.

5. I attach a draft reply from the Lord President dealing with this aspect of Mr MacGregor's minute. If necessary this could be included in a letter covering the political aspects of the rail link proposals which I understand the Business Managers are likely to be considering in the near future.

Peter Bird

R BIRD

DRAFT LETTER FROM THE LORD PRESIDENT TO

SECRETARY OF STATE FOR TRANSPORT

CHANNEL TUNNEL RAIL LINK

I have seen a copy of your minute of 23 December to the Prime Minister.

In paragraph 19 you suggest that the proposed widening scheme for the M2 should be incorporated in the Channel Tunnel Rail Link hybrid Bill. This is a very substantial change in the nature of the hybrid Bill for which you are bidding for a place in the 1994/95 legislative programme having withdrawn it from this session's programme. Before final decisions are taken, FLG Committee will want to look closely at the implications for the scope, handling and timing of the Bill so that its claim for a place in the programme can be judged alongside other priorities. Current expectations are that FLG will put recommendations to Cabinet on the 1994/95 programme by Easter. In the meantime you will need to ensure that no public commitments are given about when a hybrid Bill is likely to be introduced or whether it will include M2 widening provisions.

I am copying this to the Prime Minister, Ken Clarke, Michael Heseltine, John Wakeham, John Gummer and Richard Ryder.

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HM Treasury

Parliament Street
London SW1P 3AG
Telephone 071-270

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cc: MR SANDALL
MR BETTS

IN CASE OF DIFFICULTY PLEASE CONTACT THE SENDER

FROM Philip Rutnam TELE NO 071 270 - 4908

TO Mr R Bird FAX NO X 0113

COPY TO _____ FAX NO _____

MESSAGE:

The chancellor's letter of 10th January. plus. for background Executive Summary of the Bain/Gibb report.

BUILDING/DEPT Cabinet Office

DATE 13th January 1993

TIME 14:05

CLASSIFICATION —

NUMBER OF PAGES TO FOLLOW: 7

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FOLIO 59 N

Treasury Chambers, Parliament Street, London, SW1P 3AG
071-270 5000

10 January 1994

Rt Hon John MacGregor OBE MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB

CABINET OFFICE
K 4233
13 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

cc Chief Secretary
Financial Secretary
Sir T Burns
Mr Turnbull
Mr Robson
Mr C W Kelly
Mr I Wilson
Mr Wynn Owen
Mr Parsonage
Mr Rutnam
Ms Longman
Mrs Keswick
Mr Ruffley

Dear Secretary of State

CROSSRAIL

My officials have briefed me on the work done by the consultants reviewing this project. As you know, the key aim of the study was to find out whether there were more cost effective ways of delivering benefits for passengers in London than by building Crossrail.

The consultants have done a good job in the time available. They have identified very clearly a range of projects which would be much more cost effective than Crossrail. These projects would deliver many of the same benefits as the full Crossrail scheme, but for a fraction of the cost. They would be more affordable, more suitable for private finance and could be implemented sooner.

I think that the time has come to reconsider our strategy for Crossrail. The project designed by LT and BR is hugely expensive (£3 billion in 1993 prices). The economic case for it has collapsed, as the forecasts of demand on which the project depends have proved to be wildly over-stated. And the consultants are clear that private finance for the project could not be attracted on anything like sensible terms for another 10 or maybe 20 years.

Against this background, it would be foolish in the extreme to carry on as before with our commitment to the Crossrail project or with the Crossrail Bill deposited by LT. The consultants' work offers us an alternative strategy which would be better for the taxpayer and for the future of London. This is to adopt a selection of the schemes put forward by the consultants, work them

CONFIDENTIAL

up into a realistic and affordable package of improvements to London's infrastructure, and then implement them, using private finance wherever we can.

More work can be done to decide which schemes we should choose. But at first sight I think that the following ones are particularly attractive:

- a link from Heathrow to the City, using the existing tunnels from Paddington to Moorgate; this could offer four through trains an hour, with a maximum journey time of 35 minutes, at a cost of £125 million;

- new trains across London from Slough to Barking, again using existing tunnels; this would be very similar to the service in Crossrail, but at a fraction of the cost (£260 million); it would link places like Slough and Hayes directly with the City, and could be extended to Reading in the west and Rainham in the east; that would also help our East Thames Corridor objectives;

- maybe one or other of the alternative schemes, such as improvements to the Wimbledon branch of the District Line or a small change to the JLE to link it to the Central Line, so that the JLE can take passengers from places like Epping to the West End.

We need to put together a package of these schemes, selected to choose the best that we can afford within a realistic timescale. We can then get on with implementation, using private finance wherever possible.

This strategy would allow us to bring real benefits to passengers in the sort of timescale which matters. If we carry on with Crossrail as now, this simply will not happen. My own view is that Crossrail may never be affordable. But even if it is, we will have to wait at least 10 years for private finance to be available on sensible terms, and longer still for any benefits from the project. I cannot emphasise strongly enough that I think this is the wrong approach on both political and economic grounds.

I am copying this letter to the Prime Minister.

Yours sincerely

Ken Clarke

KENNETH CLARKE

(Approved by the Chancellor & signed in his absence abroad)

1.0 EXECUTIVE SUMMARY

1.1 Introduction

The study team, led by Bovis/Gibb, has reviewed the CrossRail project in accordance with the requirements of Government, namely:

* To establish CrossRail as a joint venture attractive to the private sector;

* To improve cost-effectiveness of the project and reduce cost to the public sector;

* To ensure value for money for the public sector contribution.

The CrossRail project comprises the connection of the Shenfield Line into Liverpool Street from the east to four lines to the west of Paddington via a tunnel under Central London. The east-west connection gives a through service in order to achieve a balance in the service pattern and to facilitate movements to the West End from the east and to the City from the west.

The project as designed is a well engineered scheme, operationally efficient within the constraints of running on the existing British Rail network, offering a substantial investment in the long term infrastructure of London. The scheme has been promoted with a vision of a modern new rail network across London.

1.2 CrossRail Cost Effectiveness

Analysis by the study team of the project as designed has indicated that a number of elements of the scheme should be reviewed before final decisions on construction are made. In particular, the CrossRail team has demonstrated that the provision of stations in the central area is achieved at high cost and that benefits reduce with the increase in the number of stations. The study team has concluded that:

* Moorgate/Liverpool Street and Bond Street stations give positive benefits and logically form part of the base case;

* Either Tottenham Court Road or Holborn stations should be included in the base case, but not both;

* Paddington station incremental costs currently exceed incremental benefits and therefore the station is not justified in financial or economic terms. Further work is necessary to explore the opportunities to reduce costs and perhaps also capture more of the benefits of main line railway and Heathrow Express interchange;

* Farringdon station also has costs exceeding total benefits. The desire to provide a spur to the redevelopment of the

surrounding area and the good interchange with other rail services may improve the case for the inclusion of this station.

The minimum feasible railway identified by the CrossRail team provides basic infrastructure capable of handling 12 car trains, but station facilities for 8 car trains. This includes single ticket halls and provision for expansion to 12 car facilities with twin ticket halls. No economic justification has been seen by the study team for this provision and the study team recommends that consideration is given to further reductions in stations to 6 car operation. This is referred to hereafter as the minimum core railway.

Further cost savings from reductions in tunnel diameter, standardisation of escalators and deletion of all provision for expansion, have been identified as requiring analysis before construction commences. The provision of safety measures and provision for mobility impaired passengers to meet modern standards are considered essential parts of the scheme and not areas for cost reductions.

Alternative alignments for the central section via Kings Cross have been proposed by petitioners. The CrossRail team has found that the costs of routing via Kings Cross are approximately 10% higher than the currently proposed route, and the route attracts significantly less benefits. The study team endorses this view and concludes that the route chosen from Liverpool Street to Paddington provides the best feasible solution to the CrossRail objectives as originally defined.

The possibility of phasing the project has been considered, but most of the costs are in the Central London tunnels and part construction with turnback facilities does not provide benefits sufficient to justify this approach.

1.3 Economic Evaluation

The CrossRail project was a product of the Central London Rail Study (CLRS) carried out in 1988. The CLRS demonstrated that, with the then pertaining Central London employment growth, CrossRail would be required by the year 2001. The project would meet the objective of substantial relief to British Rail lines, particularly in the east, and relief to congestion on the Central Line and Metropolitan and Circle Lines. Additional benefits would accrue from connections with the City and West End.

A primary aim of the Government is to establish a joint venture with the private sector assuming a private sector contribution and a commensurate transfer of risk from Government. If the project proceeds as a joint venture with the private sector, the Government will still wish to see that its contribution gives rise to an attractive benefit:cost ratio. This could be of some importance for a project such as CrossRail, where the ratio is close to 1:1 as a public sector project.

The CrossRail team has determined that a benefit:cost ratio of around 1.4:1.0 is achieved for both the full scheme and the minimum feasible railway, assuming the CLRS growth forecasts. The deletion of stations in the minimum feasible railway reduces costs, but also benefits, leaving similar benefit:cost ratios. The basis of these calculations is for a public sector project using an 8% discount rate. The scheme generates large social benefits, a small proportion of which may be captured as net additional passenger revenues.

However, current analysis shows that employment growth in Central London has not followed the CLRS forecast. A fall has in fact occurred between 1989 and today of between 15% and 20%. If a high growth forecast is applied from today, then the CLRS forecast would be reached in 2010 not 2001. The study team considers that this could still be optimistic since it is policy both of Government and of the London Planning Advisory Committee to encourage growth outside of Central London, such as in the East Thames Corridor. London Transport's prediction of the change in forecast trends is illustrated in Figure 1.1.

Furthermore, it is noted that the trend in movement of people into Central London in the peak hours has been gradually downward for the past 30 years. This is illustrated in Figure 1.2.

In order to maintain a benefit:cost ratio greater than 1:1, it may be necessary to delay construction of the scheme and then to proceed only if employment growth has actually returned. However, these trends would not necessarily require a delay to the Bill process. During the passage of the Bill, the continuing change in employment and commuting growth could be monitored and the effect of observed changes and revised forecasts analysed. This would determine the timing for implementation of the project and the level of private sector investment that could be attracted, at that time.

1.4 Alternative Investment Opportunities

In the light of the above analysis, and as part of the study, the team investigated alternative options for changes to the London Underground network which could provide some of the benefits of CrossRail and which could be implemented earlier. Schemes with potential for high benefit:cost ratios and attraction to the private sector were targeted. The schemes considered comprise:

* Eastern City Link combining the Metropolitan trains from Amersham currently terminating at Aldgate with Shenfield trains currently terminating at Liverpool Street via part of the CrossRail tunnel. The scheme would connect Amersham to Shenfield as for CrossRail and would provide some relief to the Central Line in the east;

* Heathrow Express to Moorgate via an upgraded north side of the Metropolitan and Circle Lines. The scheme would connect

the City to Heathrow with competitive journey times to the alternatives of taxi, bus or other tube lines;

* Leytonstone Link of Jubilee Line and Central Line to provide relief to the Central Line in the east through direct access to the West End via the Jubilee Line;

* Slough to Barking services via the north of the Metropolitan and Circle Lines providing the east-west through connection and the possibility of extensions to Reading/Rainham. The scheme requires the diversion of the Hammersmith and City Lines into the Bakerloo Line at Paddington;

* Wimbledon Line link to the Central Line from Fulham Broadway to Holland Park via Olympia. The scheme would relieve pressure on the Metropolitan and Circle Lines by removing the Wimbledon services currently terminating at Edgware Road. Additional benefits of relief at Earls Court and direct, through services to Olympia and the West End are also provided;

* A link at Kilburn from the Metropolitan Line to Thameslink would provide an alternative route from the north west to the City and relief to the Metropolitan and Circle Lines between Baker Street and Farringdon.

The preliminary analysis has indicated that the cost of the schemes are all within the £100 million to £300 million range (except the Eastern City Link) and that private sector finance could be attracted to some of the schemes with varying public sector contributions. However, it is accepted that it is only possible to give indicative results at this stage and that detailed work is required to assess the full cost and implications of schemes and that an assessment, from which choices could be made, would require further study.

1.5 Conclusion

In conclusion, the study team believes that CrossRail is a visionary project which may be ahead of its time in view of the change in employment and commuting patterns in Central London. As a public sector project, the scheme could be brought to fruition in a shorter timescale than as a public/private sector joint venture. However, a delay to assess future trends and to identify the proper transfer of risk to the private sector would be appropriate if the project is to be a joint venture achieving value for money for the public sector contribution.

Whether the CrossRail project is delayed or goes ahead, other investment in the London Underground network should be considered.

CENTRAL LONDON EMPLOYMENT & PEAK HOUR PASSENGER ARRIVALS

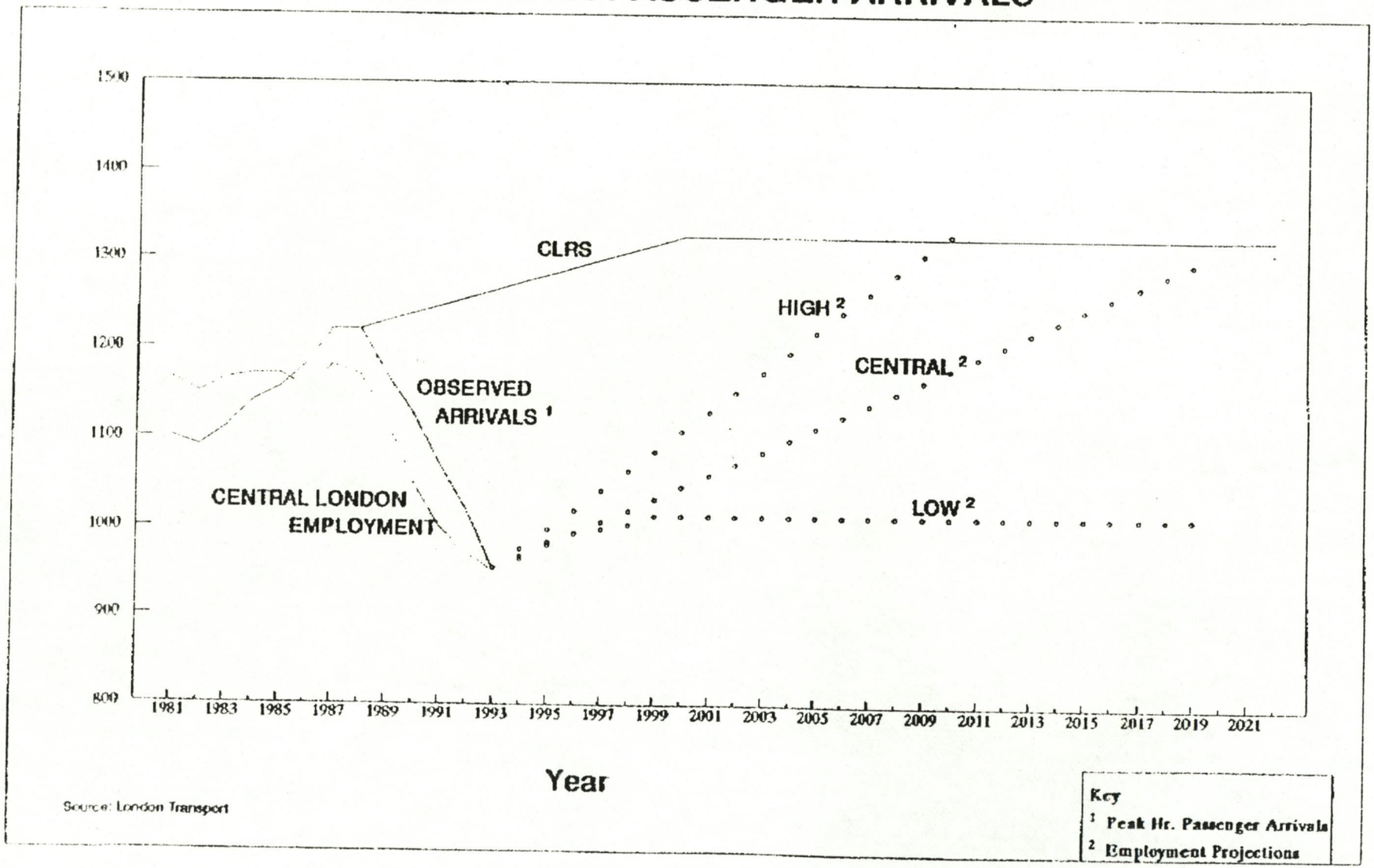

Figure 1.1

People entering Central London between 0700 and 1000

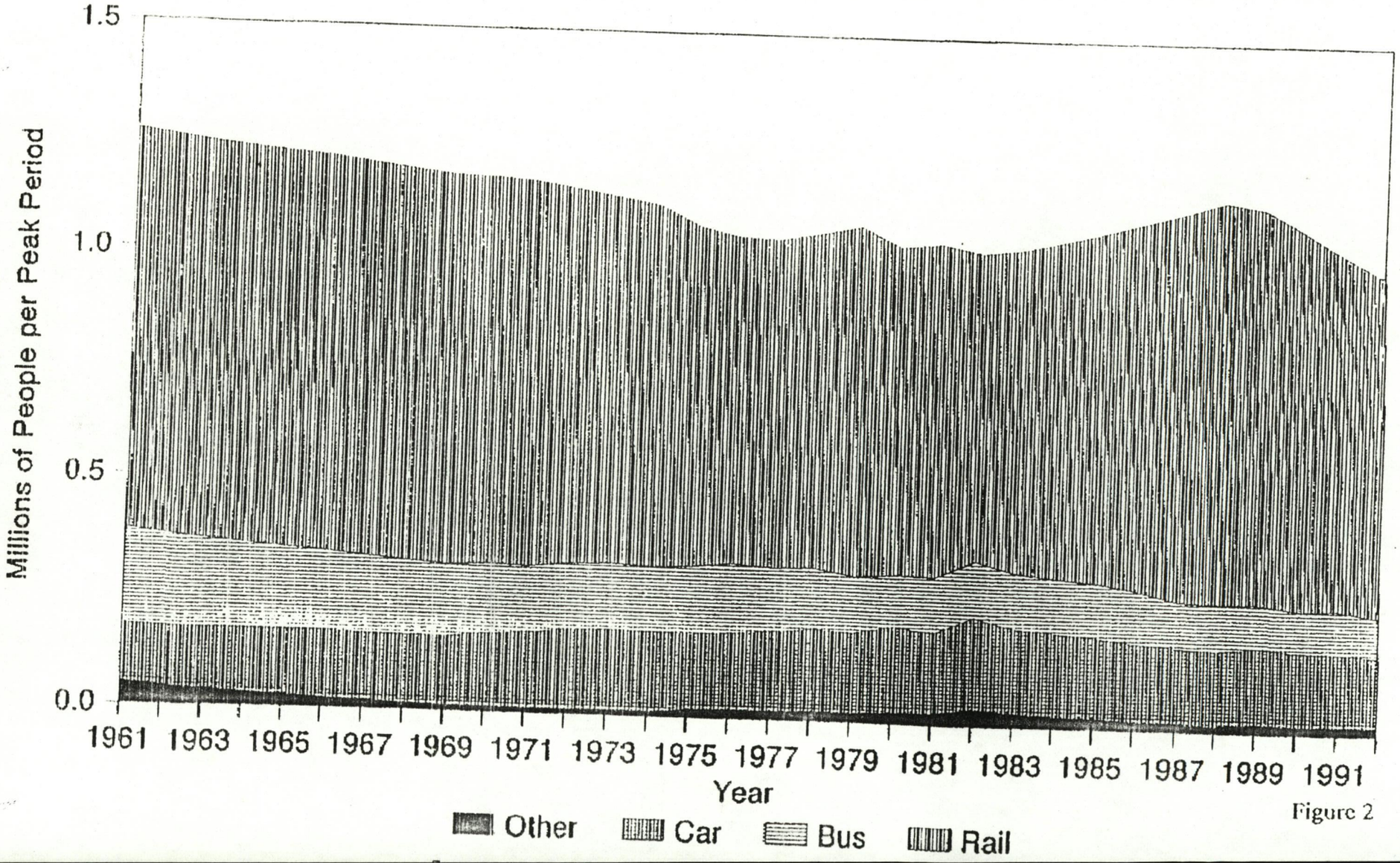

Figure 2

cc Mr Owen
Mr Bird
Mr Marston

FOLIO 59M

2 MARSHAM STREET
LONDON SW1P 3EB
071-276 3000

CABINET OFFICE
P 11254
12 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

My ref: G/PSO/32680/93
Your ref:

The Rt Hon John MacGregor OBE MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London SW1P 3EB

11 January 1994

11 JAN 1994
LOOP DRIVY SEAL

Dear John

CHANNEL TUNNEL RAIL LINK

Thank you for the copy of your minute of 23 December to the Prime Minister setting out proposals for decisions on the route, terminus and intermediate stations on the Channel Tunnel Rail Link.

As you know, officials from this Department have been closely involved with yours in the production of the report enclosed with your minute. We also had some preliminary discussion in the margins of the presentation on 13 December.

It may be no surprise to say, therefore, that I am content with the vast majority of your proposals. I am particularly pleased that we have been able to find a new and appropriate role for St Pancras, one of the major buildings in London. Though care will need to be taken to ensure that the extension is in harmony with the existing structure.

I accept that some difficult environmental issues remain along the proposed route. However, there would be environmental impacts from not building the link and we have to strike a balance between what could be done, by way of additional tunnelling and other mitigation measures and what is affordable. I accept that the judgements which have been reached are defensible, though I strongly support the proposals for modest extension of the property purchase policy in areas of particular impact on people's homes, such as at Barking and Mardyke Park in Purfleet. I note that you are considering the situation in Barking further and might yet propose additional tunnelling there, particularly if property purchase costs are high.

My particular concern is about intermediate stations. You rightly point out that the reason for selecting the easterly approach into London in 1991 was the opportunity this offered to stimulate development around the location of intermediate stations. It is important that we reiterate our commitment to the provision of at least one station. There are two sets of issues here: whether there is a case for a station at Stratford

100%
RECYCLED PAPER

and which of Rainham or Ebbsfleet should be the "outer" East Thames Corridor station. (We seemed to agree on 13 December that Nashenden on the North Downs AONB is a non-runner).

There is no doubt that the greatest opportunity for achieving regeneration objectives is at Stratford. I think that a station here could play a major role in uplifting the economy of East London and in underpinning the success of Docklands. The transport evaluations which have so far been undertaken may underestimate the potential change in travel patterns once the Docklands developments and the regeneration of the East Thames and Lea Valley corridors are underway. The European Commission's recent decision on Objective 2 funding for Stratford and the Lea Valley is relevant to this. I therefore consider it essential that the longer 'box' is provided at Stratford to leave open the opportunity for a station to be developed in the future, if it is not provided at the outset. We should ask the private sector to explicitly consider this in bidding for the project. Nevertheless, I accept that the terms of the announcement to be made now should be as you propose. This will provide an opportunity for further work to be done and proposals to come forward. I propose that our officials should work closely with the Stratford promoters on this.

On Rainham and Ebbsfleet I would like to propose a different way forward. The advantages of Ebbsfleet so clearly outweigh those of Rainham that the retention of Rainham would not pose a real threat to Ebbsfleet. The purpose of retaining it, to exert pressure on Blue Circle, would be lost. Meanwhile we will have prolonged uncertainty and blight. I understand that even the Rainham promoters would prefer a clear cut decision now, even if it does not favour them, because that would allow them to pursue alternative development ideas. So far as Blue Circle is concerned the provision of the station can be conditional on their providing a substantial contribution towards costs. Greater certainty will also enable them to make progress in attracting financing and development partners. I would therefore prefer a firm choice in favour of Ebbsfleet now.

Your letter does not indicate whether you intend to safeguard all the station sites you propose to leave in the frame at this stage. For Stratford we shall need to ensure that the land concerned is vested in Union Railways next April.

I am copying this letter to the Prime minister, Ken Clarke, Michael Heseltine, John Wakeham, Tony Newton and Richard Ryder.

JOHN GUMMER

CONFIDENTIAL

cc Mr Owen
Mr Marsh

59L

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

24 December 1993

CABINET OFFICE
F 4679
19 JAN 1994
FILING INSTRUCTIONS
FILE No. R 14/7

Dear Paul,

CHANNEL TUNNEL RAIL LINK

The Prime Minister will consider your Secretary of State's minute of 23 December once he has seen the views expressed by other colleagues.

May I suggest that the Departments to whom your Secretary of State's minute was copied should send replies by 12 January? We will aim to get you a response from the Prime Minister as soon as possible after that.

I am copying this letter to Jeremy Heywood (HM Treasury), Peter Smith (Department of Trade and Industry), Alan Riddell (Department of the Environment), Joan Bailey (Office of the Lord Privy Seal), Dugald Sandeman (Lord President's Office), and Murdo Maclean (Chief Whip's Office).

Yours,
Mary

MRS. MARY FRANCIS

Paul Coby Esq
Department of Transport

CONFIDENTIAL

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CABINET OFFICE
P ...1104.....
- 4 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/3

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

24 December 1993

Dear Paul,

CHANNEL TUNNEL RAIL LINK

The Prime Minister will consider your Secretary of State's minute of 23 December once he has seen the views expressed by other colleagues.

May I suggest that the Departments to whom your Secretary of State's minute was copied should send replies by 12 January? We will aim to get you a response from the Prime Minister as soon as possible after that.

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Yours,
Mary

MRS. MARY FRANCIS

Paul Coby Esq
Department of Transport

CONFIDENTIAL

CABINET OFFICE
P 11173
- 4 JAN 1994
FILING INSTRUCTIONS
FILE No. R14/7

POLICY IN CONFIDENCE

CC Mr Owen
Mr Bird
Mr Marston

Steve Mahn
WO

File

FOLIO 58P

Prime Minister

CHANNEL TUNNEL RAIL LINK

We need very soon to take decisions on the route, terminus and intermediate stations for the new fast rail link from the Channel Tunnel, the flagship of our private finance initiative.

2. On 22 March I announced some key decisions on the Rail Link. I commissioned further work from British Rail's specially formed subsidiary, Union Railways. I said that once Union Railways had completed this work (which included six months of extensive public consultation) and had reported, the Government would reach decisions and safeguard a route, London terminus, and intermediate station or stations. I also said that there would be a Hybrid Bill to secure approval, and that the project would be taken forward as a joint venture with the private sector.

3. Union Railways reported to me on 29 October. On 11 November I announced our intention to proceed to an early competition for a private sector partner. I shall very shortly be writing to the Chancellor about the key issues involved in the private sector competition and about the project's financial and economic appraisal, which has implications for our policy and the success of the joint venture.

4. Subject to your and colleagues' views, I intend to announce our decisions on the Rail Link's route, terminus and intermediate stations in the week beginning 17 January. A copy of Union Railways' October report is already with your policy unit. I attach to this minute advice on the report (with a separate Executive Summary of conclusions and recommendations) produced by an Interdepartmental working group of officials. Both they and Union Railways have done thoroughly professional jobs within severe time constraints. They are to be congratulated. One or two matters remain to be finalised before my announcement, but these are not of a nature to stop you and colleagues from considering the main issues now.

5. Our immediate task is to consider the options for the terminus, route and intermediate stations identified in Union Railways' report and to decide, in the light of the results of the recent consultation, which should be adopted. Our decisions should be such as to enable safeguarding directions to be made. The land safeguarded should include everything certain to be needed and may include land only possibly needed. We also have to decide on the contents of the Hybrid Bill. It is possible to keep open some options for decision closer to the introduction of the Bill (which we aim to have ready in Autumn 1994 for the private sector to consider and for the Government to take forward thereafter). I have so proposed on some issues where more work is necessary (eg Thameslink) or in order to strengthen the Government's negotiating position (eg intermediate stations).

LONDON

Terminus

6. I am convinced that I should confirm the Government's previously announced preference for a St Pancras terminus. It is cheaper, environmentally more acceptable and makes sense operationally and commercially. As a consequence I intend to have the King's Cross Railways Bill withdrawn and to de-safeguard the land and property affected by that Bill. This will be a decision almost universally welcomed and worth emphasising when I make the announcement.

Thameslink

7. Union Railways' report puts strongly a case for major enhancements to Thameslink as a crucial means of handling the passengers brought into London by the Rail Link. Prima facie there appears a strong case for some sort of enhancement to Thameslink, which in itself is a promising project. Before committing to any investment, I have asked for more work to be done on passenger demand and employment forecasts in London. I intend to do no more in my announcement than to say that I would be prepared to take powers in the Hybrid Bill to build the advance works for a Thameslink station under the St Pancras terminus on Midland Road. Before the Bill's introduction, when I have to decide finally whether to seek the powers, I shall have

seen the results of the further work and shall have consulted the private sector.

St Pancras approach

8. This is the most contentious issue on the route of the Rail Link in London. Union Railways' report confirms that to use the North London Line corridor to St Pancras is feasible, but would be costly, complex, risky and take at least five years to build. Its environmental impact makes it very widely unpopular. Union Railways' tunnelled alternative would take less time to construct, would have much less of an environmental impact and, most importantly, is operationally highly desirable. When combined with three other options proposed by Union Railways on operational grounds, the St Pancras tunnel produces a package which makes economic sense. I concur with the advice of the Interdepartmental group of officials that we should accept Union Railways' proposals for a tunnelled approach to St Pancras combined with a grade-separated junction on the way into St Pancras, an open concrete box at Stratford and advance works for a connection to a servicing depot at Temple Mills.

9. Without the grade-separated junction, the Rail Link would never be able to carry more than six domestic passenger trains per hour into the terminus, which would be a severe permanent impediment. The Stratford box is not only operationally wise but politically prudent, Stratford being the focus of the policy of regeneration which underpinned the Government's decision in 1991 to bring the Rail Link in from the East. I am not disposed at this stage to go all the way to meet the supporters of Stratford by agreeing to safeguard a sufficiently long box to provide for a station there. This would cost an additional £10-20m. (I would not however rule out deciding to go for the long box before the introduction of the Hybrid Bill.)

CrossRail connection

10. Union Railways' report and further work confirm Roger Freeman's and my view that we should keep separate our consideration of the Channel Tunnel Rail Link and CrossRail. Neither project is economically dependent on the other. The possible physical connection between the two railways (at Forest

Gate) makes no commercial sense, according to Union Railways, who also question whether it would work. I intend to reject the option of this connection to CrossRail, and shall not as a consequence safeguard any land and property to provide for it.

Barking tunnel

11. The second most contentious issue in London is the route through Barking, where there is much local pressure for a tunnel. This is a difficult matter because the environmental impact of Union Railways' proposed route in Barking is likely to be severe, arguably worse than that along the North London Line, where we have gone for a tunnelled approach (but for mainly operational reasons, with coincidental environmental benefits). I accept provisionally the Interdepartmental working group's recommendation that the Barking tunnel option be rejected, but only on the assumption that the Government's property purchase policy is extended to a modest degree. I have asked for urgent work to be done on this, which my officials will be pursuing with their counterparts at the Treasury and the Department of the Environment. I may meanwhile go to judge at first hand the potential impact of this part of the route in London.

KENT

12. For refining the route in Kent the Interdepartmental group has recommended two additions proposed by Union Railways for operational reasons:

a grade separated junction at Dollands Moor costing £15m;
£9m on advance works for freight loops ("sidings") to ensure the Link's facility to carry freight.

The final decisions whether to go ahead with these additions would be taken later after consulting the private sector. On that basis I propose to accept these recommendations.

13. In March I enjoined Union Railways to keep open the option of the Rail Link's carrying freight traffic. There is some controversy about the possible use of Westenhanger for a freight inspection facility. I have just received some proposals from Union Railways which may permit me to avoid using Westenhanger

in this way. If possible, I shall state in January that we have no present plans to do so.

Tunnels

14. I also intend to accept the recommendation of the Interdepartmental working group for two additional, modestly priced tunnels in Kent:

a 240m tunnel at Hollingbourne, costing £4.5m, and
a 170m tunnel at Sandway, costing about £2m.

15. My intention is to reject the other, more costly options for Kent. The most controversial of these are the mid-Kent long tunnel, which Andrew Rowe is pressing for, and which would cost £65m with an additional cost risk of £50m; an alternative route at Pepper Hill, which is a matter of great concern for Jacques Arnold; and the central Ashford route, for which Sir Keith Speed has campaigned, at a cost of £60m (plus cost risk).

16. Having a short tunnel in mid Kent instead of a long one has a significant environmental impact. But the extra cost, which with the additional risk is quite likely to be towards £120m, is very substantial and could be justified only if the short tunnel could not survive the passage of the Hybrid Bill. There has been no material change in circumstances since the Government rejected the long tunnel option earlier this year.

17. At Pepper Hill there are several route options, all of which have problems. The shallow tunnel under the housing estate proposed in March is deeply unpopular. The locally favoured option of a tunnel under the electricity switching station would be very expensive, £35m, and would put the construction programme at risk. A viaduct around Pepper Hill is the cheapest option, but is the most visually intrusive and it is not absolutely certain that room could be left for the A2 to be widened in the future. On balance Roger Freeman and I favour the viaduct option, subject to further study, to ascertain amongst other things whether the widening of the A2 could proceed later without disproportionate cost and environmental impact. This study is not likely to be completed before my announcement, in which case I would propose

to reject the switching station option and state my disposition towards the viaduct.

18. The route at Ashford is highly contentious. The route to the north of the town, which we announced in March, saves £60m and has less environmental impact compared with the previously proposed route through the centre of the town. The central route however has largely been accepted locally, whereas the northern route affects more articulate people, and there has been a vigorous campaign against it involving Sir Keith Speed and Ashford Borough Council. In a desperate attempt to prevent the northern route, Ashford BC have just suggested stripping out a costly tunnel and sending the new railway on the surface through the western side of Ashford. This route was rejected in 1989 on environmental grounds, and I have to doubt the seriousness of, and support for, Ashford's last ditch suggestion. The environmental impact is almost certainly of unacceptable severity, but I am having Ashford's proposal studied urgently before my announcement in the new year. I also believe that it would be prudent for me to view the Ashford options on site before coming to a final decision.

19. I should mention one further Kent issue. In principle it would make sense to incorporate the proposed widening scheme for the M2 in the Rail Link Hybrid Bill. The two schemes are close together and joint approval would be tidy. There remain some technical issues to be settled; but if these can be cleared up in time I would propose to announce the incorporation of the M2 widening scheme at the same time as our other decisions in January.

INTERMEDIATE STATIONS

20. Our decision in October 1991 that the Rail Link should take an easterly approach into London was based in large part on the opportunities offered for regeneration. The location of intermediate stations is of fundamental importance to that objective. I therefore intend in January to restate the Government's policy that there should be at least one intermediate station between Ashford and London, subject to there being satisfactory finance for the station or stations.

21. The intermediate station options reviewed in Union Railways' report are:

Stratford (international, domestic or combined);
Rainham (international);
Ebbsfleet (international or combined);
Nashenden (domestic).

22. I propose to accept the Interdepartmental working group's unanimous recommendation that Nashenden, which has no private sector or local authority promoter, be dropped. That leaves Stratford, Rainham, and Ebbsfleet. Ebbsfleet and Rainham are in direct competition: both are M25 parkway stations. Stratford is a different animal. The promoters of Rainham and the promoters of Ebbsfleet have both offered the land necessary for the station and associated parking; neither has offered to pay for, build or operate the station. In my view we should aim at least for construction to be funded by the promoters. As a consequence and in order to maintain some negotiating leverage over Blue Circle, the promoters of Ebbsfleet, I do not intend to rule out either M25 parkway station. I shall however make clear in my announcement that a combined station at Ebbsfleet North seems to me as presently advised to be the better option, but a final decision will depend upon the provision of satisfactory financing of the intermediate station in question by its promoting group.

23. I would propose to deal with Stratford differently, by saying that the case for an international or combined station at Stratford has certainly not been made; nor has the case for a domestic station although the potential here is more evident. I should not wish to rule out Stratford as an intermediate station site as yet. I would then refer to my decision to go for a short box at Stratford on the route of the Rail Link through London, together with my willingness to expand this to a long box when the Hybrid Bill is introduced, if the case for Stratford, in particular the financial position, looks better by then.

24. With intermediate stations it is important for us to remember that the private sector promoters of the Rail Link will play a crucial role in negotiating with the current promoters of intermediate stations.

NEXT STEPS

25. Since I should like to announce the Government's decisions on the route, terminus and intermediate stations in the week beginning 17 January, may I please know from you and colleagues as early as possible in the week beginning 10 January whether you and they are content for me to base my announcement on the decisions outlined above? Assuming that to be the case, I shall of course circulate the terms of my announcement in advance.

26. I am copying this minute and attachments to Ken Clarke, Michael Heseltine, John Gummer, John Wakeham, Tony Newton and Richard Ryder.

Paul Cabey
(private secretary)

pp JOHN MACGREGOR
approved by the Secretary of State
and signed in his absence

23 DEC 1993

CABINET OFFICE
F 4463
- 4 JAN 1993
FILING INSTRUCTIONS
FILE No. R14/7

POLICY IN CONFIDENCE

cc Mr Uwen
Mr. Bird
Mr Marshall

FOLIO 582

Prime Minister

CHANNEL TUNNEL RAIL LINK

We need very soon to take decisions on the route, terminus and intermediate stations for the new fast rail link from the Channel Tunnel, the flagship of our private finance initiative.

2. On 22 March I announced some key decisions on the Rail Link. I commissioned further work from British Rail's specially formed subsidiary, Union Railways. I said that once Union Railways had completed this work (which included six months of extensive public consultation) and had reported, the Government would reach decisions and safeguard a route, London terminus, and intermediate station or stations. I also said that there would be a Hybrid Bill to secure approval, and that the project would be taken forward as a joint venture with the private sector.

3. Union Railways reported to me on 29 October. On 11 November I announced our intention to proceed to an early competition for a private sector partner. I shall very shortly be writing to the Chancellor about the key issues involved in the private sector competition and about the project's financial and economic appraisal, which has implications for our policy and the success of the joint venture.

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LONDON

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to reject the switching station option and state my disposition towards the viaduct.

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Paul Cabry
(private secretary)

pp JOHN MACGREGOR
approved by the Secretary of State
and signed in his absence

23 DEC 1993

POLICY IN CONFIDENCE

Mr Sandall cc Mr Nicholson
Miss Harper
Mr Marston

Any thoughts on this from the viewpoint of the hybrid Bill? Putting the M2 and CTRL in the same Bill would certainly not help ~~to [illegible]~~ the Bill's passage. NB 4/1

CC Mr Owen
Mr [illegible]
Mr [illegible]

FOLIO 58M

QF6282

4061

R14/7

Prime Minister

CHANNEL TUNNEL RAIL LINK

We need very soon to take decisions on the route, terminus and intermediate stations for the new fast rail link from the Channel Tunnel, the flagship of our private finance initiative.

2. On 22 March I announced some key decisions on the Rail Link. I commissioned further work from British Rail's specially formed subsidiary, Union Railways. I said that once Union Railways had completed this work (which included six months of extensive public consultation) and had reported, the Government would reach decisions and safeguard a route, London terminus, and intermediate station or stations. I also said that there would be a Hybrid Bill to secure approval, and that the project would be taken forward as a joint venture with the private sector.

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Paul Cabry
(private secretary)

pp JOHN MACGREGOR
approved by the Secretary of State
and signed in his absence

23 DEC 1993

Mr Sandall

Thanks. I'd be grateful if

FROM: A SANDALL
DATE: 6 JANUARY 1994

MR BIRD

CHANNEL TUNNEL RAIL LINK

The Transport Secretary proposes to incorporate the proposed widening of the M2 into the CTRL Bill on the grounds that "the two schemes are close together and joint approval would be tidy". This leaves a number of questions unanswered.

First, why does the widening of the M2 need to go into a hybrid bill at all? Roads are usually built using powers under public Acts which make provision for local inquiries, all of which you know more about than I do. If objectors are likely to get a worse deal from the hybrid bill procedure than from the usual procedure, there will be a row.

Secondly, is there any consideration of public policy, other than the fact that both schemes are in Kent, which makes it desirable that Parliament should deal with them together?

Thirdly, will the inclusion of the M2 increase the number of Kentish Members who may oppose the Bill? If not, will it increase the vehemence of their opposition?

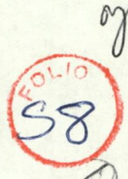
Fourthly, what is the likely increase in the burden of work of the Select Committee on the Bill? How many extra petitioners may have to be heard? How many more days will the Committee have to sit? And what effect will a prolonged committee stage have on the expected date of Royal Assent?

AS.

A SANDALL

RESTRICTED







Foreign &
Commonwealth
Office

London SW1A 2AH

20 December 1993

C. Mr Richard
Miss Neville-Jones

Dear Alex,

OFFICIAL OPENING OF CHANNEL TUNNEL ON 6 MAY

The Queen and President Mitterrand have agreed to perform the joint opening ceremonies of the Channel Tunnel on 6 May. We are now giving thought to participation by Ministers at these events.

The draft programme - of which Buckingham Palace are aware - envisages that The Queen will inaugurate the Waterloo Station terminal at 10.00 am on 6 May before she travels by train through the tunnel to Sangatte/Coquelles. There she will be met by President Mitterrand and with him inaugurate the French terminal. After a reception and lunch, The Queen and President Mitterrand will return by shuttle to Folkestone/Cheriton, will jointly open that terminal and attend a reception. The programme will end at about 5.30 pm when The Queen and President Mitterrand depart for London and Paris respectively.

Although the French have yet to make definitive plans, we understand that M.Balladur and the Ministers of Culture, Transport and Foreign (or European) Affairs will probably accompany the President. In any event, we believe that the Prime Minister should accompany The Queen to Sangatte and back to Folkestone. If M. Balladur decides to accompany the President through the tunnel to Folkestone, all the better.

As far as other UK ministers are concerned, our participation may be slightly different. The Foreign Secretary would normally accompany The Queen as Minister in Attendance. The Transport Secretary, because of his Department's close involvement with the Fixed Link Project, expects to attend all the ceremonies. The Home Secretary has also expressed an interest in being involved as his constituency is Folkestone; and there may also be advantage in the President of the Board of Trade being involved, in view of the increased commercial opportunities which should flow from the tunnel.

EuroTunnel have passed on to us Belgian Railway's wish that the Belgians should participate in the ceremonies, because a Eurostar service will operate through the tunnel between London and Brussels. We do not object to a Belgian input, but would not wish this to be on the same level as The Queen and President Mitterrand - so as not to detract from the high-level bilateral nature of the event. We think the French share this view. We propose therefore to recommend to the French and, if they agree, to EuroTunnel that the right course should be to invite an appropriate Belgian Minister.

The Prime Minister may like to be aware that we are working on other plans to commemorate the opening of the fixed links, for example by inviting the twelve EC Foreign Ministers and their four EFTAn counterparts to travel on the shuttle after the FAC on 17 May.

Perhaps you would let me know if the Prime Minister is content with these plans. For further background, I enclose a brief count-down of events to the official opening.

I am copying this letter to Paul Coby (DTp), Joan MacNaughton (Home Office), Peter Smith (DTI), Melanie Leech (Cabinet Office), Sir Christopher Mallaby (HMA Paris), John Gray (HMA Brussels) and Sir Robert Fellowes (Buckingham Palace).

Yours ever.

Dickie

(C R V Stagg)
Private Secretary

Alex Allan Esq
10 Downing Street

COUNTDOWN TO OFFICIAL OPENING OF CHANNEL TUNNEL

10 December - Eurotunnel take over site from TML
12 January - Price of tickets announced
12 February - Sponsored walk for charities (attended by Home Secretary)
26 February - Underground lunch for politicians, banks, local authorities, contractors,
7 March - HGV shuttle starts (first commercial services)
14 March? - BR/SNCF freight service switches to Tunnel
various dates testing/reconnaissance/previews
6 May - official opening
7 May - Passenger services commence (though not a full service)

Mr. Nye
Mr. Marshall

file

cc PO

CONFIDENTIAL & MARKET SENSITIVE

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

CABINET OFFICE
P 109877
13 DEC 1993
FILING INSTRUCTIONS
FILE No. R14/7

FOLIO 57

My ref:

Your ref:

10 DEC 1993

Serial No 126
Copy No 1 of 3

Mrs Mary Francis
Private Secretary
No. 10 Downing Street
LONDON
SW1A 2AA

Must be right.

Mr. Lord

Sent for information by Mrs. Francis.

Prime Minister

No decision required yet. But the council could come at any time.

- Transport want to save Eurotunnel by extending its concession
- Treasury flirt with letting Eurotunnel go under!

MF 10/12

Dear Mary

13/12

EUROTUNNEL

You asked for a note on the current Eurotunnel funding issue.

I attach a fairly full account of the problem. I apologise for the length but the paper sets out the background, and is useful in understanding the present difficulties.

It will not be easy for the new Financial Implementation Plan for ET to come together. Time could well now be very short, effectively we may have only a week. We will know better after meetings on Monday and Tuesday. Neither the Agent banks, nor the Instructing banks nor the EIB have yet firmed up their contributions. The Governments are still discussing internally and between them what price could be extracted for conceding the extension of the concession.

My Secretary of State believes this could come down to a tough last minute negotiation which we will have to be ready for and where, if agreement is to be reached, each side will have to give something. His view is that extension of the concession which effectively gives rights in the 2050s in return for money now from Japanese or European banks is a reasonable and proportionate contribution by the Governments. It really does look now as though some extension will be necessary if administration is to be avoided. He will of course fight as hard as possible to extract as much from ET in return as possible.

However if ET does go into administration because the Governments refuse to extend the concession, my Secretary of State believes that the Governments will be blamed for what will be a very public and very damaging failure. Furthermore if the refusal could be laid at our door relations with the French could also be affected.

He is also concerned over the banks view that if ET fails, the City and banks worldwide will be very reluctant to put further private finance into British infrastructure projects. ET in administration or receivership is hardly a good advertisement for the major launch of the new private finance initiative and establishment of the new group.

I am copying this to Stephen Smith in the Foreign Secretary's Office and to Owen Barder in the Chancellor of the Exchequer's Office. The attached paper incorporates the comments made by Treasury officials.

Yours sincerely

Paul Coby

P J COBY
Private Secretary

EUROTUNNEL (ET): THE CURRENT PROBLEM

The funding gap

1. Under the Credit Agreement a banking case is prepared every 6 months. The 1992 autumn case showed that c £1 billion extra cash would be required to sustain ET to peak indebtedness. This put ET in breach of the conditions of the Agreement but the syndicate decided to grant a waiver until the May 1993 case. The waiver was renewed in May subject to ET preparing a financial implementation plan (fip) before the waiver expired at end November. As an agreed fip was not ready, a further waiver was granted at end November to enable ET to draw monies for December. The waiver runs out on 4 January. Meanwhile this year's autumn banking case showed that ET now need c £1.6 billion.

Banks efforts to solve the problem

2. In June the Instructing Banks agreed that in their view the main elements of a fip should comprise £500 million equity (which scores as £800 million in the banking case when account is taken of bank interest avoided); £200 million from EIB; £200 million from the syndicate; and £200 million from the Governments. They are no longer insisting on this last proposal. This was on the basis that the banking case would show a shortfall of c £1.4 billion (not £1.6 billion). ET have committed themselves to raising £500 million equity but the remainder of the plan remains to be settled. Governments have consistently made clear that there is no question of a cash contribution of any kind.

3. Discussions between banks continue but there are major differences of view.

4. The UK Agents support the project and will participate in refinancing (although Midland need approval from the parent Hong Kong and Shanghai Bank which has never supported the project). Of the French Agents, Banque Nationale de Paris (BNP) has been very reluctant to consider refinancing and takes the view that the Governments ought to contribute cash. Failure to participate by BNP, an insider, might kill all chance of refinancing; we understand that French Government pressure will be brought on the bank. Credit Lyonnais, the other French Agent, has not committed itself but it is thought that it will do so when it feels it can break ranks with BNP.

5. The EIB's contribution has been shown throughout discussion as £200 million but this is a figure proposed by the Agents. EIB has not committed itself to any amount and it is known that there is opposition on the Bank's Board to making further contributions to the project. EIB has been foremost in insisting on full funding of £1.6 billion; the Agents might settle for less to get the project to the point at which it is earning revenue. EIB also wants seniority for monies yet to be drawn from previously agreed credits.

6. Of the Instructing Banks (it is thought that few if any syndicate members outside that group is likely to participate) a few major Europeans such as Deutsche Bank, are close to and

supportive of the UK Agents. The five Japanese Instructing Banks (Japan has contributed c 25% of total loans to the project) may however be key to putting money in place. They have problems at home and are reported as saying in relation to the pressure brought to bear on them during the 1990 refinancing in a letter from Mrs Thatcher to the Japanese Prime Minister, that the UK Government in particular must now show more support for the project before they participate.

Timetable and risks

7. The business of the syndicate proceeds by postal vote. Unless the Agents despatch documents by 20 December seeking approval to a further waiver, ET may be unable to draw monies in January. Without a further monthly waiver to draw down existing funds, ET would probably have to go into administration.

8. The EIB's Board meets on 14 December and not again until mid-January. The EIB are claiming that for them to contribute to the fip before Christmas, a decision should therefore be taken on 14 December (it is judged that a special meeting to discuss ET might alienate those on the EIB who oppose further financing of the project).

Current Make-up of FIP (financial implementation plan)

9. If a fip is agreed it will probably entail the new contributions taking priority over the one guaranteed revenue stream, namely the railway Fixed Annual Charge. Present discussion revolves around the possibility of EIB contributing £200 million and organising a further £300 million from quasi-governmental banks in European countries whilst the commercial banks find £300 million. It is not clear that these sums can be found and if they are, the syndicate at large may be unwilling to agree to taking lower priority.

10. It is understood that the UK Agents are preparing for the possibility that ET may have to be put into receivership or administration. They have not informed banks other than the French Agents. On the French side the procedures available are more akin to administration than receivership.

The Governments' possible role

11. Both Governments have made plain beyond doubt that there can be no cash contribution. It has therefore been suggested by ET and the banks that extension to the Concession is the appropriate government contribution to the eventual package. This would be permitted by the Treaty. It would be of no cash value to the banks but ET have placed a value to them of some £225 million NPV on an extension of (say) 15 years. The Treasury have estimated the NPV of such an extension to Government as £493 million while DoT believe it could be as low as £70 million. However the main purpose of extension, from ET and the banks' perspective, is as a symbol of Government support. The Agents, EIB and DOT's advisers, Hill Samuel say that it would convince banks, especially the Japanese, and shareholders to support refinancing.

12. UK and French officials have discussed what ET might be asked to concede in return for an extension. The UK proposed that ET

might:

- forego claims which they have said they will make against the two Governments and the railways. The claims against Governments relate mainly to costs of IGC safety requirements and Government security requirements;

- withdraw their request to arbitrators to compel the railways to renegotiate the basis of the Usage Contract;

- agree unreservedly to assignment of BR's obligations under the Usage Contract to a private entity or entities; and

- agree to extend the Usage Contract in its present form coterminously with any extension of the Concession.

12. The UK side also pointed out that without SNCF's agreement privatisation of EPS and thus progress towards construction of the new rail link could not proceed. The French were therefore asked that as a pre-requisite of agreement with ET, SNCF be required to agree unreservedly to assignment of Usage Contract obligations from BR to a private entity.

13. The French are considering their position; it is understood that there will be a meeting with the French Prime Minister on 13 December. Agreement must then be reached quickly within and between both Governments on what deal might be sought from ET. Joint Anglo/French negotiations with ET may then have to take place as early as possible next week so that the two Governments can be ready, if they are able to complete the above deal with ET, to play a role in the package which the banks must finalise by the end of the week.

Impact of Liquidation or Receivership

14. We know the banks are making contingency plans for putting ET into administration or receivership if the fip should fail. They refuse to give us information as to what implications this would have. However the consequences are likely to be very serious for existing creditors and shareholders of ET. There are 400,000 French and 150,000 British shareholders, most of them small shareholders.

The various treaties, agreements and contracts which govern these relationships are set out at Annex A.

DoT
10 December 1993

Annex A

EUROTUNNEL

Background Note

1. The system comprises separate running tunnels for each direction of travel and a smaller service tunnel for access by maintenance staff and for escape in case of accident. The three tunnels are connected by cross passages at 375m intervals. The Tunnel will be used by ET's shuttle trains which will carry cars and lorries between the terminals and by BR/SNCF/SNCB through trains.

Treaties and Agreements

2. Under the Treaty of Canterbury - signed in February 1986 - UK and France agreed to facilitate the building and operation by concessionaires of a Channel Fixed Link without recourse to government funds or guarantees. The Treaty created an Intergovernmental Commission (IGC) to supervise the Link on behalf of the Governments and an independent Safety Authority (SA) to advise the IGC.

3. The Treaty stated:

> "The Channel Fixed Link should be financed without recourse to Government funds or to Government guarantees of a financial or commercial nature"

and this was separately enshrined in law in the Channel Tunnel Act 1987.

4. In March 1986 the Governments concluded a Concession Agreement with ET to give effect to the Treaty. The Agreement gives ET exclusive right to run the Tunnel until 2042 and freedom to set their own tariffs and commercial policy and determine the type of service to be offered. It requires the company to obtain IGC approval to designs and safety arrangements including operating rules and to obtain approval to security arrangements from the Governments. The Agreement gives ET's lenders rights to replace the company in the event of financial failure.

5. The Treaty was ratified and the Concession Agreement came into operation after Royal Assent was given in July 1987 to the Channel Tunnel Act 1987 which gives effect in the UK to the Treaty and Concession provisions. In France the Treaty and Concession Agreement entered directly into law.

6. A Usage Contract agreed under French law between BR/SNCF and ET in July 1987 provides that the railways will use 50% of the Tunnel's capacity. SNCF have sub-let capacity to SNCB. The Contract provides that ET receive fees from the railways based on passenger and freight units. There is a guaranteed Fixed Annual Charge. There is however no fee for actual train use of the Tunnel thus ET would receive no fee other than a contribution to maintenance, for an empty train. BR and SNCF are jointly and severally liable for the Contract's obligations to ET.

7. The length of the Concession and commercial freedom under the Concession Agreement together with guaranteed income stream under the Usage Contract were key factors in persuading banks and shareholders to finance the project. The banks also insisted on lenders' rights under the Concession Agreement.

8. The project has been financed by a combination so far of £7.3 billion debt and £1.6 billion equity. The banking arrangements are set out in a Credit Agreement between ET and a syndicate of some 220 banks worldwide. The syndicate is led by 22 Instructing Banks on whose behalf, 4 Agent Banks (2 British, 2 French) undertake the syndicate's administrative work. In practice much of the work is done by the British Agents, Midland and Natwest. The Agreement also covers the relationship between the syndicate and the EIB which has provided £1.3 billion of the total £7.3 billion debt.

Sir Robin Butler
RBB

POLICY IN CONFIDENCE

The Rt. Hon. Michael Heseltine MP
President of the Board of Trade

R

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CABINET OFFICE
A 15624
16 NOV 1993
FILING INSTRUCTIONS
FILE No.

R14/7

15 November 1993

C. M Green.

Dear Chancellor,

CROSSRAIL

At a meeting in May with the Prime Minister it was agreed that the scope for savings on the Crossrail project should be investigated promptly. I am dismayed to learn that, six months on, the terms of the study have only now been agreed. I believe that the Prime Minister is to say tonight that we are working urgently on plans to bring private finance into the project. I can only hope that we are now able to give real substance to this.

In our recent discussions you have re-affirmed your personal commitment to the private finance initiative as a way of taking forward large infrastructure projects. If this is to mean anything then we really must deliver on a major project like Crossrail. Given the size and complexity of such projects there is a clear risk that the private sector will lose confidence if it detects a lack of urgency on the part of the Government. If that were the case, we should be unable to meet what we said in the Manifesto on Crossrail and should, rightly, be criticised for a lack of commitment to London's future.

I have to say that I have a strong feeling that we are being less than imaginative in our private finance proposals and holding out for ever finer terms. As with our great privatisation drive in the 80s, the priority is to gain the confidence of investors even if this means that the terms prove to be a little more generous at the outset than we might have hoped for.

dti
the department for Enterprise

Recycled Paper

I strongly support John MacGregor in his efforts to take forward the Crossrail project. I would urge you personally to use your authority to get this moving. I should be grateful if you could keep me in touch.

I am sending copies of this letter to the Prime Minister, John Macgregor, John Gummer and to Sir Robin Butler.

Yours sincerely,

Peter Smith

MICHAEL HESELTINE
(Approved by the President
and signed in his absence)

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dti
the department for Enterprise

SECRETARY OF STATE FOR THE ENVIRONMENT

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FOLIO 55

My ref G/PSO/25688/93
Your ref

CABINET OFFICE
A 15345
10 NOV 1993
FILING INSTRUCTIONS
FILE No. R14/2

Mrs Mary Francis
Private Secretary
10 Downing Street
London SW1A 2AA

9 November 1993

Mr Lavelle
C. Mr Bird

Dear Mary

CROSSRAIL

My Secretary of State has seen Paul Coby's letter of 7 October.

He accepts the need to ensure a cost-effective proposal which will attract strong public sector support. He is equally keen, however, that there should be no untoward delays in the study which would prejudice an early resumption of the Bill's consideration. London's business community places particular emphasis on Crossrail as a key factor in regenerating and sustaining the Capital's role as a world financial centre. Failure to proceed rapidly with the Bill would be read as a significant weakening of the Government's commitment to London.

My Secretary of State also thinks it important not to lose sight of the major regeneration potential offered by Crossrail. It links key components in London's recovery (Heathrow, Park Royal, Central London, Stratford and the Lea Valley) and gives strong synergy with our efforts in both the East Thames and Channel Tunnel Rail Link Corridors. Individual stations, particularly Tottenham Court Road and Farringdon, are likely to be important regeneration nodes in their own right. Potential savings made through the dropping of station or route options will need to be weighed very carefully against the loss of regeneration opportunity. Certainly there is a strong expectation across London's business and financial community that Crossrail will proceed largely in its current form.

I am copying this letter to Paul Coby (DOT), Peter Smith (DTI), Dugald Sandeman (Lord President's Office), Jeremy Heywood (Treasury), Murdo Maclean (Chief Whip's Office) and Melanie Leech (Sir Robin Butler's Office).

Yours

Alan

ALAN RIDDELL
Private Secretary

100%
RECYCLED PAPER