

SUBJECT



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10 DOWNING STREET

From the Private Secretary

17 November 1981

Prime Minister's Meeting on the Channel Tunnel

Many thanks for your letter of 12 November to Caroline Stephens. We were also grateful for Ian Ellison's letter of 13 November.

Mr. Ian MacGregor and Sir John Howard had a short meeting with the Prime Minister this morning to discuss the Euro-route fixed Channel link. The Secretaries of State for Industry and Transport were also present. Much of the discussion was taken up in an explanation of the way in which the Euro-route link would work. Mr. MacGregor emphasised the importance he attached to this link being suitable for car and lorry traffic, so as to increase competition in the vital area of transport overseas. The Prime Minister acknowledged the attractions of this feature of the scheme. The Secretary of State for Industry enquired about the likelihood of accidents taking place, either collisions from shipping or from inflammable or explosive cargoes on the bridge itself. Mr. MacGregor and Sir John Howard cited the parallel of the Chesapeake Bay bridge in the United States, which had not suffered any collisions from shipping during the last seven years. They both thought it important further to institutionalise the movement of traffic in the Channel, and believed that a bridge would be helpful in this aim: it would be possible to have control exercised from the middle of the Channel rather than from its edges. They acknowledged the difficulties of international law that lay ahead of the proposal. These, they suggested, would perhaps be simplified if the United Kingdom and France were both able to adopt a 12-mile limit.

The Prime Minister enquired about the timing of the pay-back period for the project. Mr. MacGregor argued that this could be very short. Given the possibilities for modular construction of the link, it would be possible to fabricate many components simultaneously in different parts of the United Kingdom and France. This would permit the construction period to be telescoped. He expected a rate of return, after taking account of inflation, of around 7 per cent on a reasonable estimate of the likely traffic flows and tariffs.

The Prime Minister enquired about finance. Mr. MacGregor was confident of the ability of the proposed Bridge and Tunnel Authority to raise private finance. The Secretary of State for

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Industry pointed out that there might be problems about scoring this as private finance, in view of the belief by the French side that it would be necessary to have guarantees against political cancellation, to ensure completion in the event of the inability of the private sector to complete, and in relation to the loan financed.

Sir John Howard asked the Prime Minister whether she would be able to arrange for Mr. MacGregor and himself to see President Mitterrand. In reply, the Prime Minister enquired about the present position of the French. The Secretary of State for Transport said that they had so far given no positive steer. Discussions were taking place with them this week, and the aim was to sift through the main options by December, and to concentrate on a narrow range of options thereafter, with a view to providing a final joint report at the end of February 1982.

I am sending copies of this letter to Ian Ellison (Department of Industry) and David Wright (Cabinet Office).

M. C. SCHOLAR

Anthony Mayer, Esq.,
Department of Transport.

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DEPARTMENT OF TRANSPORT
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Michael Scholar Esq
Private Secretary to the
Prime Minister
10 Downing Street
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NBPM

24 November 1981

Dear Michael,

PRIME MINISTER'S MEETING WITH MR IAN MACGREGOR ABOUT THE
FIXED CHANNEL LINK: 17 NOVEMBER

Thank you for your letter of 17 November recording what happened at this meeting. In it you recorded Mr MacGregor and Sir John Howard commenting that the Chesapeake Bay Bridge/Tunnel in the United States had not suffered any collisions from shipping during the last seven years. Just for the record, you might like to know that in fact there ^{although not within} have been five collisions (the last seven years) between ships and the bridge/tunnel. These severely disrupted the operations of the bridge/tunnel and caused users to seek alternative routes because of fear of a repetition.

I am copying this letter to Ian Ellison (Department of Industry) and David Wright (Cabinet Office).

Yours,

Anthony Mayer

R A J MAYER
Private Secretary

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