

file



Transport

dl

10 DOWNING STREET

From the Private Secretary

25 January 1982

Dear Anthony,

Fixed Channel Link

cc CO  
HO  
FO  
HMU  
D/Ind  
DES  
D/M  
MAFF  
DOT  
D/N  
CFO  
PGO  
MOD  
DOE  
NIO  
CAZ

The Prime Minister was grateful for your Secretary of State's undated minute on a fixed Channel link, with which he enclosed a paper he proposed sending to the House of Commons Transport Committee.

The Prime Minister is content for him to send the paper in its present form. She has commented that paragraph 18 looks to be a stumbling block so far as the construction of a link is concerned; but the issues raised by this reflection are for the E Committee discussion envisaged by your Secretary of State, and do not affect the present paper.

I am sending copies of this letter to the Private Secretaries to the members of E Committee.

Yours sincerely,  
Michael Scholar

Anthony Mayer, Esq.,  
Department of Transport.

CONFIDENTIAL

dl

(F)

Prime Minister

cc AD  
DW  
A.W.  
public

Both Alan Walters and David

Prime Minister

Wolfson are concerned about growing expectations about the Channel / Brunnel if it is not to come to fruition

FIXED CHANNEL LINK - as it will not if extensive government guarantees are needed; as may well be if a monopoly rail link is chosen. But these doubts are for the E Discussion. Agree, meanwhile, this non-committing

Since our discussion in E Committee on 3 December paper? my officials have been continuing their joint studies with the French. M. Fiterman and I have both just received the officials' interim report. This discusses the three main areas of study; technical feasibility, economics, legal and financial questions. It sets out and explores the problems but makes no recommendations. A final report is due at the end of February.

ML 22/1

Yes -  
Parent  
looks to  
be =  
shuttle  
made  
not

The French Prime Minister, M. Mauroy, is to visit the Calais area on 23 January in a series of provincial tours. He will discuss the possibilities of a fixed link and I understand that he is likely to make use of some of the information in the interim report while not revealing its existence. The press are bound to pick up what he says.

I am due to meet the House of Commons Transport Committee next month to discuss a fixed link in the light of their report last year. I would like to give them some indication of the conclusions that are beginning to emerge from the joint studies before the media make them public. I attach the paper I intend sending to them on Thursday, 21 January which sets out the main content of the interim report on the three main areas of study but remains non-committal about the line the Government may eventually take.

/  
not yet  
sent to the  
Committee  
- awaiting  
your clearance

It would be helpful if before the study group write their final report we could have a further discussion in E Committee. I expect to put a full memorandum to the Committee early in February.

I am sending a copy of this to members of E.

DA.  
~

DAVID HOWELL

19.1.82



FIXED CHANNEL LINK

Memorandum by Secretary of State for Transport


Introduction

1. The Transport Committee of the House of Commons' report on their study of a fixed Channel link was published on 6 March 1981. Since then, discussions have continued with promoters of various possible schemes and information provided by them has been analysed. A preliminary analysis, produced under the aegis of the Dover Harbour Board, of the case for improvement of existing ferry services as an alternative to construction of a fixed link has been received and studied. A more developed analysis is expected shortly.
2. Discussions have also been opened between British and French officials. In September 1981 the British Prime Minister and the French President agreed that a joint study group of officials should be set up to advise the two Ministers of Transport whether a fixed Channel link would be in the best overall interests of both countries and on the available options. The joint study group was at once set up and the material already assembled in the Department's Channel Tunnel Unit was made available to the French. The following sections explain the conclusions that are beginning to emerge from the various technical, economic, financial and juridical studies carried out.

Technical Studies

3. The Study Group has examined all the main options for a fixed link - bored tunnels, submerged tubes, bridges and mixed solutions. Attention has been paid not only to the general problems associated with each type but also to the particular difficulties attendant on construction in an international waterway.
4. The Group's work, while not complete, tends to endorse the conclusions reached by the Committee, that is to say, the options fall broadly into two categories:

bored tunnels, where the technology is relatively well proven and no problems of maritime safety would be involved; and



the remaining solutions where, to a great or less degree, innovatory design concepts, materials or construction techniques are involved and major issues of maritime safety and law arise.

There would also be important environmental and ecological issues. But, whereas the issues raised by tunnels would be entirely landward and of a familiar character, the other solutions would also involve problems of maritime ecology, possibly of international significance.

5. Significantly, different timescales seem to be inherent in the two categories of scheme. Construction of a bored tunnel could begin after a relatively short period for preparation and design. The knowledge and data gained from the project abandoned in 1975 could help condense the time required. Although some technical problems associated with the tunnels in the previous project remained to be resolved, they were relatively minor and it is reasonable to assume that the answers to them could be found within the compass of the normal design process.

6. If a solution offering a drive-through road link was in principle preferred, further extensive tests and investigations to establish the basic feasibility of the scheme would be necessary. The Study Group has considered the more important areas of uncertainty, including those noted by the Committee during its hearings - for example, structural stability, durability and maintenance, availability of construction equipment, and protection against collision by ships. Until the uncertainties had been satisfactorily resolved it would not be possible to take very far the necessary consultations with the international maritime authorities. These consultations could be lengthy, and only when they had been substantially complete would it be possible to prepare detailed working drawings and the programming of resources for construction. Until this process had been completed cost estimates would necessarily remain unreliable.

7. Choice between the different forms any fixed link might take will have to take into account these important differences in timescale, which the Group is studying further. It is also examining the operational implications of each type of link.



### Economic Studies

8. The economic studies are covering matters closely connected with those discussed by the Committee in its Report. As the Committee recognised, the key question is not whether the existing modes of cross-Channel traffic could handle the prospective levels of traffic, but whether they could do so more effectively than any of the forms of fixed link. The answer to this question depends partly on how the total market would grow (both in the absence of a fixed link and as a result of generation by the link) and partly on what improvements in relative competitiveness the existing modes would be able to achieve.

9. The Study Group has examined critically the forecasts of traffic adopted by the various promoters and has used a range of figures for the purposes of sensitivity testing. It has considered material provided by the group representing the Dover Harbour Board (DHB) and the principal ferry operators which gave evidence to the Committee on possible developments of existing modes. The Dover group has further work in hand and hopes to complete a comprehensive statement of its position at about the time the Anglo-French studies will be reaching their closing stages. A critical question will be how far the ferries may realise potential reductions in costs the early work has suggested may be available.

10. The Study Group is preparing a comparison of the cost in resource terms of conveying the traffic forecast for each type of fixed link with the cost of conveying the same traffic by the existing modes, taking into account such improvements in efficiency as the latter are likely to achieve. The inputs to the comparison are necessarily subject to varying degrees of uncertainty and sensitivity analysis is being used to indicate the extent to which the results should also be regarded as uncertain.

11. As the Committee noted, other factors than just relative economic cost need to be taken into account in the final decision. However, the wider social, environmental and strategic implications could be dissimilar on the two sides of the Channel. It has, therefore, been agreed that these factors should not form part of the joint studies but that instead each side should examine them separately from its own national viewpoint in whatever manner it felt most appropriate. These separate studies are in progress.



12. One matter which can be examined only from the specifically UK standpoint is the important question of the return which the British Railways Board would secure on any investment which it had to make in association with the actual fixed link. The calculation would need to take into account the wider effects on the Board's corporate finances resulting from secondary traffic generated by the link and from the displacement of existing services. Work on this is in progress between the Board and my Department.

### Finance

13. My predecessor, in his statement in the House on 19 March 1980 and subsequently in his evidence to the Committee, made clear that the Government was seeking proposals that could be financed without recourse to public funds. He qualified this broad principle in three respects by acknowledging that:

- a. the Government would need to give some guarantee or indemnity to the private promoter against a political decision to cancel the project;
- b. that some associated public sector investment by BR or on roads might be necessary;
- c. in the case of a rail link there would need to be a contract between the railways and the link proprietors, which would assure the railways of rights to minimum usage of the link in return for agreed tariffs.

That has been the basis on which all discussions with promoting groups have taken place. I am glad to note that the Committee were also of the opinion that the burden of financing a fixed link should fall overwhelmingly on the private sector.

14. None of the groups has been able to produce more than an outline of its financing plan because the capital market cannot be approached with a firm prospectus in advance of a decision on which, if any, scheme should be implemented. We have, however, sought to achieve as clear an understanding as possible of the groups' outline plans with a view to judging how far each of them would be compatible with our criteria and, equally important, whether, if put to the test in the market, it would be realisable.



15. Some promoters have drawn attention to the need they perceive for:

- (a) Completion guarantees. In some cases the promoters have required from Government an explicit long-stop completion guarantee, ie an undertaking to fund the completion of the project should the private standby facilities prove insufficient. Even where a guarantee has not been stipulated the Government would need to be satisfied that no liability could fall on the public sector in the event of the private entity running into difficulties;
- (b) guarantees of revenue from BRB and SNCF. In the case of the bored tunnel schemes some promoters envisage that the bulk of their capital would be raised on the strength of a contract with the railways which might demand payments high relative to the railways' prospective earnings from traffic using the link.

16. At this stage therefore it cannot be said that any of the financing proposals fully meet the Government's criteria, though discussions with promoters continue.

17. The French Government accept the UK Government's wish to limit UK public sector involvement in any eventual link, and the Study Group is presently examining how the organisation structure for a link could knit together public and private sector bodies on opposite sides of the Channel.

18. The French Government have however indicated that they would seek from the UK Government (and would in return themselves provide) a guarantee that in the event of a failure to complete the link as a result of political action by one Government or of failure by its chosen instrument the Government of the defaulting country would reimburse the Government and the chosen instrument of the other all the costs incurred up to the date of default.

19. There have been suggestions - notably in the European Parliament - that the European Community might be able to assist in some way. This may prove helpful, but it is apparent that there are difficulties still to be overcome - not least the absence at present of wholly suitable Community instruments. The scope for





Community involvement cannot be conclusively discussed until the UK and French Governments have reached the decisions of principle to which the present studies are intended to lead.

Next Steps

20. I hope that my French colleague and I will receive the officials' full advice this Spring. The next steps will depend on the conclusions we subsequently come to. I would expect that a joint announcement would then be made of the two Governments' views on whether or not a fixed link would be in the best interests of both countries and, if so, the form it should take. If the decision was in favour of a bored tunnel, I would hope to select quickly a commercial group to develop plans and undertake construction and an early start would be possible. If it was considered that the feasibility of a drive-through road link warranted further study, I would need to consider with my French colleague how the necessary work should be carried forward.

7 8 JAN 1982

