

NDM AT 23/7

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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON SW1P 3EB

23 July 1985

Dear Patrick

LDDC : ROYAL DOCKS

Thank you for sending me a copy of your letter to Peter Rees about the London Docklands Development Corporation's plans for the acquisition and regeneration of the area around the Royal Docks. I fully share your desire to maintain the momentum of redevelopment of London's Docklands, and I agree with your view that the LDDC is the right agency to do this. However, I could not agree to any course of action which seeks to interfere with the terms of a deal which has been freely negotiated between the PLA and the LDDC.

- write request (if required)

As Peter Rees knows all too well, the PLA has been a financial liability to the Government in the past, and its financial problems are by no means over. We have declared a policy of no more operating subsidies for them, and we have announced that we intend to phase out support for the cost of severances of non-RDWs. I have been pressing the Board to seek to stand on its own feet and to adopt a tougher commercial stance than it has tended to in the past, thanks to the insidious malaise which subsidies always bring. The new Chairman, Sir Brian Kellett, is approaching his task with determination. It would destroy the whole credibility of our approach if we attempted to put pressure on the

PLA to renegotiate the terms of the lease they have agreed with the LDDC, simply because the Treasury (8 months after we were informed of the agreement) takes the view that the terms are too generous. It would seriously harm my relationship with Sir Brian Kellett, and it would also sour the much improved relationship that now exists between the PLA and the LDDC. Moreover, forcing them to accept worse terms than they have negotiated would increase the likelihood that I shall have to provide additional financial support for the PLA, which is the last thing I want to do. And the Government would appear in a very odd light if it rejected an agreement freely entered into by two responsible bodies.

I would also suggest that there are strong practical arguments in favour of allowing the lease to stand. The PLA is not a nationalised industry and I have no sanction to use against them, beyond informal pressure. If we adopted the course you favour and sought to use the threat of a Vesting Order to persuade them to renegotiate the terms of the lease, they might very well call our bluff, leaving us no option but to go through the Vesting Order procedure. This would drag on well into next year, would frustrate our objective of securing the momentum of redevelopment, and would carry with it the risk of a good deal of political and Parliamentary difficulty as well. The figures enclosed with your letter suggest that the financial difference between the two courses of action is £3.4m in discounted terms, and given the particular circumstances of the PLA I suggest that is not an unreasonable price to pay.

I am sending a copy of this letter to the Prime Minister, the Chief Secretary and Sir Robert Armstrong.

*Yours
Nicolas*

NICHOLAS RIDLEY



