

LONDON DOCKLANDS DEVELOPMENT - LEASE FOR ROYAL DOCKS

Problem

It is widely agreed that the best way of promoting the rapid development of the London Docklands (including STOLPORT) is for the LDDC to acquire the area around the Royal Docks from the PLA. In its early days the LDDC was empowered to acquire land by the vesting procedure provided in the 1980 Local Government Planning and Land Act. This procedure - effectively a compulsory purchase order without the normal checks and balances - proved contentious and politically sensitive.

Subsequently D/Environment have withheld use of the vesting procedure from the LDDC. In this more normal arms-length situation, the LDDC and the PLA freely negotiated a lease for the Royal Docks area.

Belatedly the Treasury have objected that the terms of the lease are unfavourable to the LDDC who are publicly funded. Treasury want the lease to be re-negotiated, with the PLA being put under pressure from threatened use of the vesting procedure. Nicholas Ridley maintains that to re-open a freely-negotiated commercial agreement between the PLA and the LDDC, in order to pressurise the PLA into a less favourable deal, would undermine the Government's efforts to get the PLA to stand on its own feet, behave commercially, and progressively reduce its call on public subsidies.

Comments

The Government's objectives, not in priority order, are:

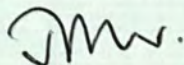
1. To maintain the momentum of the development of the London Docklands.
2. To restructure the PLA and promote a new management attitude so that as soon as possible the Port is capable of operating commercially without Government support.
3. To contain public expenditure.

Peter Rees focusses narrowly on the third objective and is aiming to save the public sector a discounted £3.4 million - roughly one-half the discounted value of the negotiated deal. He dismisses as uncertain the key point that a hard-headed business-like PLA should be capable of reducing the call on Government subsidies by significantly more than the £3.4 million he is after. Moreover, his tactic risks delaying development.

From the recent discussion on the Dock Labour Scheme, you are aware of the wider background. The South and East coast ports, mainly outside the Scheme, are investing heavily to improve their capability and attract new business. The competition is getting tougher. Management attitudes in the PLA are crucial. In public expenditure terms, it would be counter-productive to compromise Nicholas Ridley's efforts to transform management attitudes in the PLA.

Conclusion

We would support Nicholas Ridley and let the existing lease between the LDDC and the PLA stand. In the bilaterals Treasury can fight to make sure that Nicholas Ridley's gain at least covers Patrick Jenkin's loss.



JOHN WYBREW