

CCRB



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon Paul Channon MP
Department of Transport
2 Marsham Street
LONDON
SW1

26 June 1987

Prime Minister 2

DWS
26/6.

Dear Paul

CANARY WHARF: PROGRESS REPORT

at top

In my report to the Prime Minister of ~~12~~ May about the Canary Wharf development I said that we were very close to a decision. We have since then, with colleagues' agreement, carried matters forward with the Chief Secretary. I am writing to bring other colleagues up to date.

On the three main elements of the deal - the Master Building Agreement, the letter of credit (under which the Consortium, now clearly controlled by First Boston, are committed to construct the Phase 1 infrastructure) and the railway agreement - all remaining significant points have been resolved over the last month. These agreements are virtually ready for signature. But the 28 May deadline we set at the beginning of May - and a further extension to 22 June - have passed without negotiations being successfully concluded.

The deal is being held up by the other side. First Boston have taken much longer than anticipated to reach agreement with the two major banks - Morgan Stanley and Credit Suisse First Boston - who are to be the first bodies to take space in the development. We agreed that without their commitment we should not sign up for the deal nor would First Boston wish to do so.

Extension of the deadline to 22 June took us beyond the Election period - and with your Department's and LRT's help First Boston were able to negotiate an extension of the contract for the construction of the city extension of the railway, on the understanding that they were to foot the bill.

My Department meanwhile has warned First Boston that the Government would expect LDDC to leave themselves free to negotiate with others after that date. When it became apparent that they would not be able to meet this 22 June deadline either, the Consortium agreed to meet the costs of a further extension to 7 July of the contract for the railway agreement. On this basis, I



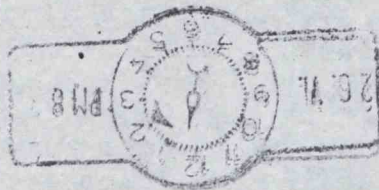
agreed that LDDC should also be authorised to continue negotiating until 7 July on a basis to be agreed in negotiations between Christopher Benson (Chairman, LDDC) and First Boston.

Christopher Benson has now written to First Boston to tell them that the option agreement has formally lapsed but that they have a further period of exclusive negotiations until 7 July. LDDC will, however, use this time to prepare the material necessary to issue invitations to alternative developers so that, if the Consortium were still unable to proceed by 7 July, they would be in a position to go to the market immediately.

I will come back to colleagues when it is clear whether or not the Consortium will be able to meet this timescale. I am copying this to colleagues in E(A) and Sir Robert Armstrong.

Nicholas Ridley
Armstrong

NICHOLAS RIDLEY



CCSG



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London
SW1P 3EB

NRBM

2nd July 1987

Dear Nick,

CANARY WHARF

I have seen a copy of your letter of 26 June to Paul Channon reporting progress on the Canary Wharf negotiations.

I agree with the action taken so far and there is clearly nothing more to be done until LDDC hear from First Boston. However, if the consortium is not ready by 7 July I think we will have to consider the position very carefully. We must be very nearly at the stage where further delay in the development of Canary Wharf by First Boston would be as damaging to confidence in the docklands regeneration as an announcement that negotiations had broken down and LDDC were seeking alternative proposals.

I am copying this letter to Paul Channon and other members of E(A) and to Sir Robert Armstrong.

Yours Ever,
John

JOHN MAJOR

REGIONAL POLICY

INNER CITIES

P 770