

PRIME MINISTER



CANARY WHARF

We are now in a position to give final approval to the Canary Wharf project as described in my letter of 10 July to the Secretary of State for Transport. Barring a last-minute and unexpected hitch, it is on course for completion on 17 July. I attach a short note, for information, of the main points about the development.

Your private secretary's letter of 13 July mentioned your questions about the proposed assurances that substantial profits for the former consortium members - First Boston, Morgan Stanley, Credit Suisse First Boston (CSFB) and Mr Travelstead, would not be involved as a result of the late intervention of Olympia and York; and how assurances would be enforced.

The Chairman of LDDC, Christopher Benson, has been given assurances covering all the former Consortium members, saying (in the case of Morgan Stanley and CSFB that they "would be reimbursed for monies spent to the closing date together with interest thereon. We would incur an exchange rate loss on these monies", and (in the case of the First Boston partnership which includes Mr Travelstead) that "the amounts received in excess of cost are small in relation to our investment". He has also had a letter from Olympia and York which confirms these statements. Morgan and Stanley and CSFB are, of course, lead tenants in the development and are taking buildings on terms in which there may be some element of preference.

There is no means of enforcing assurances of this kind. However, Mr Benson believes that there is value in the assurances. Rothschilds think it most unlikely that any of these firms would make untrue statements in a matter of this kind. There is prima facie reason to accept that they are credible, given the very



powerful bargaining position which Olympia and York have been in as against the existing consortium members whose deal was on the verge of collapse. I believe that we can rest on these assurances in the context of a deal which is overall highly advantageous.

If you are content, I propose as soon as possible today to authorise LDDC to proceed to signature of the deal on Friday; this is subject only to my final satisfaction on the terms of the leasing agreements between Olympia and York and the two banks for their 1.5 million square feet of office space, as we have stipulated.

These negotiations have been long and wearing. However, they have at last been successfully concluded. The Chairman of LDDC in particular has devoted a large amount of personal energy to pulling the deal off. It represents a real vindication of our policy of creating Urban Development Corporations, and I shall want to present it as the success that it is.

I am copying this minute to all members of the Cabinet and E(A), and to Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to be 'N R'.

N R

July 1987

## CANARY WHARF: FINAL SHAPE OF THE PROPOSALS

The proposal for the full Canary Wharf development has, throughout been for 12m sq ft of office and ancillary (hotel and retail) development on and around Canary Wharf in the Isle of Dogs. That remains the ultimate intention. It is to cover 70 acres, including 24 acres of water, 20 acres of the land belonging to LDDC.

2. Agreements now being made are for Phase I of this scheme - 5 million sq ft of office and other accommodation, on land including the LDDC's. The latter are selling the freehold in return for guarantees of completion of major infrastructure works costing some £200m (and really the first stage of Phase I) and of the completion and occupation of 1.5m sq ft of space for "front-office" use by Morgan Stanley and Credit Suisse First Boston (CSFB). Those guarantees have been provided by the terms of agreements between LDDC and Olympia and York (O & Y); and between O & Y and the two banks. In addition, O & Y are undertaking in the same agreement with the banks themselves to provide a further 1m sq ft which has to be mainly for financial services by 1990.

3. Of the members of the original consortium, First Boston and Mr Ware Travelstead have effectively dropped out - though First Boston remain nominally associated with the project and are signatories to the MBA. Morgan Stanley's and CSFB's involvement, as lead taker of space remains substantial.

4. Much has been made in the promotion of the scheme of the height of 3 proposed buildings, going up to 850 feet each (the Nat West Tower is some 650 feet). These are given permission under the Enterprise Zone scheme, and have been the focus of much criticism on environmental grounds. O & Y have given notice that they have in mind reducing the height (but not the value) of the infrastructure, and also the height and massing of buildings. Precise details of what is proposed will not be available for some weeks.