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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

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15/3

14th March 1988

Dear Secretary of State,

LDDC: DOCKLANDS LIGHT RAILWAY, EASTERN EXTENSION

Thank you for your letter of 19 February.

As you clearly recognise, value for money is the fundamental criterion in weighing the various funding options. The funding vehicle could be the best solution provided any additional financing cost is offset by management and efficiency gains, and I am content that LDDC should press forward with preparing detailed arrangements for a funding vehicle. However, as you also recognise, whether the necessary management and efficiency gains are likely to be achieved or not will depend crucially on the detailed arrangements. It will therefore be helpful if you can set out exactly what benefits will offset the 3 per cent or so cost premium attached to the vehicle. I also believe we will both want to be convinced that the terms under which a vehicle would operate were satisfactory. I should be grateful therefore if your officials could continue to keep mine in close touch with developments.

I am copying this letter to the Prime Minister, other members of E(A), and to Sir Robin Butler.

Yours sincerely,

PP JOHN MAJOR

(Approved by the Chief Secretary and signed
 in his absence.)

Reg. No. / Under Title

