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2DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign
and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
LONDON SW1

28 March 1985

The Minister:

To note the "hybrid"
procedure the SIS wishes
to adopt as per this letter.
The hard copy Seal will be able
to advise whether it is a
statement.

Dear Geoffrey

CHANNEL FIXED LINK

Thank you for your letter of 20 March replying to mine
of 18 March about the Channel fixed link.

The meeting which David Mitchell and I had with the
French Ministers M Quiles and M Auroux went well. We agreed
the English and French texts of the Invitation to Promoters
(the "Guidelines") subject to some minor amendments to be
finalised by officials, and we agreed to publish them in
early April. Arrangements have now been made for me to make
a Parliamentary Statement on 2 April. The Guidelines will
be made generally available at the same time. The French
on their side will fit in with this by holding a simultaneous
Ministerial press conference.

The French Ministers and I also agreed upon a firm closing
date for proposals of 31 October 1985, and that the two
Governments should aim to reach a decision upon which proposals,
if any, should be selected around the end of the year. I
have ascertained that all the UK promoters are content with
this.

I attach a copy of our note of the meeting. There are
only a few points to which I need draw your attention.

I agreed that the Anglo/French group, as presently
constituted, should remain in being until proposals are received
in order to consider requests for clarification or elaboration
of the guidelines and to deal with enquiries from promoters
and other interested parties. Thereafter, a differently
composed group should be set up to assess and advise Ministers
on the proposals received.

I agreed also that contingency work should be undertaken by the present group on the preparation of a Treaty and an Agreement with a selected promoting group, without prejudice to the decision still to be taken on whether or not there should be a fixed link. On our side we can simultaneously make progress on the preparation of Instructions to Counsel on the hybrid Bill which will be necessary and for which contingency provision has already been made in our legislative programme.

To let it be known that such contingency work is being undertaken would give the market further evidence of our serious intent. At the same time opponents of any form of fixed link will use it to assert that we have already prejudged the issues. I have dealt with this in the draft statement attached in a way in which I hope you and other colleagues will agree holds the right balance.

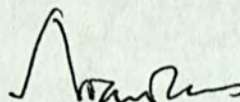
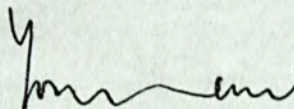
We will undoubtedly be pressed on the subject of consultation and asked whether there will be a local public inquiry into any scheme which we may decide to facilitate. In my paper to E(A), discussed on 25 February, I suggested that a full-blown public inquiry would spell the end of the project. It would destroy the market impetus which we have succeeded in generating and discourage the promoters since, for them, time is money. I suggested in my paper that informal local consultation combined with a decision by Parliament on the hybrid Bill, in the light of representations by those with "locus standi" would adequately meet the requirements of the democratic process. We did not find time to discuss this in E(A) and I would like to be sure that you and other colleagues agree that we could proceed on this basis, while not having to say at this stage that there will not be a public inquiry.

I raised with MM Quiles and Auroux the confidential discussions which your officials are undertaking with the appropriate French officials on issues of national defence, security, blockades and strikes. I am clear that they are fully seized of the importance of these issues and are ready to make rapid progress on these simultaneously with other contingency work.

Finally, I took the opportunity to tweak the French tail on the incongruity of maintaining quantitative restrictions on lorry traffic between and through our respective countries while jointly wishing to create a situation in which the market has full confidence in the ability of such a link to attract and generate as much traffic as it is capable of accommodating. I was immediately invited to discuss these and related issues in France at an early date. Officials already have preparations in hand.

CONFIDENTIAL

I am copying this letter to the Prime Minister and other members of E(A), to the Secretary of State for Defence, the Chief Whip and to Sir Robert Armstrong.



NICHOLAS RIDLEY

CONFIDENTIAL

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CHANNEL FIXED LINK

STATEMENT BY THE SECRETARY OF STATE FOR TRANSPORT

2 APRIL 1985

1. I would like to make a statement about the Channel Fixed Link.
2. The House will know that in November 1984, I met the French Ministers responsible for transport to discuss the possibility of a fixed link across the English Channel. At that meeting we reaffirmed the willingness of the British and French Governments to take whatever steps might be necessary to facilitate the construction of a fixed link between the UK and France within the framework of the European transport network. We agreed that this project, for which essential political guarantees would be provided, should be financed without support from public funds or Government guarantees against commercial or technical risks and on the basis of conditions prevailing on the international financial markets.
3. We also agreed to establish a working group of officials of both Governments to draw up guidelines to potential promoters, in order to give them a clear understanding of the requirements of the two Governments on, for example, safety and the environment, the undertakings the two Governments would be prepared to give, and of any constraints affecting commercial exploitation. At the meeting on 29 November between my rt hon Friend the Prime Minister and the French President, these decisions were confirmed, and it was decided that officials would be instructed to report to Ministers by the end of February.
4. Officials delivered their report on 28 February, and on 20 March we held a further meeting with the French Ministers to agree the final texts of the Guidelines and to decide certain further points. In particular, we agreed that the closing date for proposals would be 31 October, and that

the two Governments would aim to reach a decision on which proposal, if any, should go ahead, around the end of the year. We also agreed that we should begin contingency work now on those elements of the Treaty which would be common to any form of link chosen.

5. I have placed copies of the guidelines - or, to give them their proper name, the 'Invitation to Promoters' - in the Vote Office.

6. In saying this, I do not want hon Members to think that we have prejudged the issues. When they have had time to study the guidelines they will recognise my concern to ensure that there is adequate public consultation, that environmental, social and employment impacts are fully appreciated and that all these matters will be carefully considered before the two Governments arrive at a decision.

7. Mr Speaker, I cannot yet tell whether a fixed link will be built across the Channel or not. What I can say is that the private sector now has a unique opportunity. We have reached full agreement with the French on the conditions which the promoters must meet. I wish the promoters well in this great endeavour.

CHANNEL FIXED LINK
NOTE OF THE SECRETARY OF STATE'S MEETING WITH FRENCH MINISTERS
WEDNESDAY 20 MARCH 1985 - 2 MARSHAM STREET

Present:

Secretary of State	M Quiles
Mr Mitchell	M Auroux
	M Viot (French Ambassador)
Mr Holmes	
Mr Lyall	M Rudeau
Dr Woodman	M Paufigue
Mr Crump	M Chenu
Mr Jordan	Mme Delmas-Comoli
Mrs Nash-Brown	M Roche
Mr Gray (FCO)	M Fayard
Mr Derwent (Private Secretary)	M Carnelutti (French Embassy)

1. Noting of Formal Submission of Guidelines

Mr Lyall and M Rudeau delivered a formal minute of submission of the guidelines to the Secretary of State, M Quiles and M Auroux.

2. Timing and nature of Publication

The UK and French Ministers agreed that the guidelines should be published simultaneously in England and France, as soon as any final drafting amendments could be completed and the necessary printing arrangements made. That could be within a fortnight; but since the Secretary of State needed to make an oral statement to Parliament before Parliament's rising for Easter, 3 April was the latest possible date. That date was chosen subject to checking by officials on both sides. Each Government would make appropriate press arrangements.

3. Closing date for receipt of proposals

The French Ministers were anxious to achieve the quickest possible progress, and to reach a final decision by the end of 1985. The offers made by promoters could be expected to be time-limited, and firm dates and a quick timetable would be a demonstration of political will. Therefore the closing date of 31 October proposed by the UK seemed a little late; and there should be a formal period of 100 days at most after the closing date for consideration and decision by Governments.

UK Ministers felt a date earlier than 31 October would not give promoters sufficient time to prepare their proposals. Decisions would naturally be taken as soon as possible thereafter, but it would not be right to be bound now to a decision by a certain date.

It was agreed that the date of 31 October would remain, and the Governments would make their best endeavours to take the decision by around the end of the year. Both these points should be made public at the conclusion of the meeting, in advance of the publication of the guidelines.

4. Notification to the European Commission

It would clearly be right, even if it was not obligatory, to notify the EC of the guidelines.

5. Procedures for interpretation/elaboration of guidelines

It was agreed that one UK and one French official should be nominated as the authoritative points of contact for enquiries from promoters seeking interpretation or elaboration of the guidelines. These officials should be M. Rudeau and Mr Lyall. They would liaise closely on every enquiry while leaving the right to delegate detailed work as appropriate.

6. Confidentiality of proposals

The UK Ministers considered the point outstanding here to be an important one. They believed the promoters should be free to make public such elements of their proposals as they chose, but the Governments should keep them confidential.

The French Ministers were concerned to prevent the deliberate building up of press campaigns by promoters by selective disclosure of their proposals. If the 2 Governments could declare now that they reserved the right to publish the proposals when the final decision was taken, that should constrain the promoters' urge to publish now.

It seemed to UK Ministers that it was impossible to avoid certain details of the proposals becoming known, and necessary to live with press campaigns by the promoters during the relatively short time between submission and decision. It was, however, important

for Governments to keep confidences placed in them. It was agreed that the Governments should say on the publication of the guidelines that proposals would be published in due course, with a right for the promoters to demand that certain information - that which could be seen to belong to the class of information which one would normally expect to remain confidential in a commercial bid - would remain strictly confidential.

7. What should be said about items not covered in the guidelines especially EC finance

UK Ministers asked for clarification of the French position on EC finance. The UK position was as it always had been: that there was no question of EC finance for the link.

French Ministers referred to the joint statement made at the 30 November Anglo-French summit, and the previous communique after the 15 November meeting. Their position had not changed. It was right to make specific mention of the EC; the project was of great interest to the whole of Europe, and it was for the promoters to find finance wherever they could. Another aspect of European involvement might be that the financing could be denominated in ECUs. It was important to distinguish EC finance for the inland infrastructure on both sides of the link, and finance for the link itself. The French Government had never said it wanted the latter, and that remained their position. But it would not be right to exclude the possibility of finance for inland infrastructure.

8. Contingency work on the Treaty

UK Ministers put forward the alternatives of officials starting work now on elements of the Treaty that would be common to any form of link chosen, and awaiting the submission of proposals. The French Ministers felt it was important for officials to start work as soon as possible, and that was agreed. The Secretary of State raised under this heading a further matter for consideration in order to make any CFL a success: the question of lorry quotas. It was, for the UK Government, an essential aspect of the CFL that UK lorries passing through should be able to carry on to destinations in France or obtain access to Benelux and other countries, Unconstrained by quotas of any kind. This

would be an important matter for the CFL promoters, too. Further discussions at Ministerial level were needed; M. Auroux would welcome a visit by UK Ministers to France to discuss these matters in a relaxed atmosphere.

The French Ministers felt they could make a similar point in respect of lorry weights, and noted that the UK had achieved a favourable outcome from the December EC Transport Council. They too had domestic political problems, but they were content to engage in bilateral discussions running parallel to the CFL's next stages, in order to achieve a just solution.

9. Importance of confidential matters on defence, security, etc

It was agreed that these matters were not for publication but would be pursued by a very restricted group at official level at an early date. UK Ministers stressed their importance.

10. Promoters to be bound by their offer

The French Ministers explained that they were looking for a commitment from potential promoters that they would comply with the guidelines, the timetable and with their own proposals. The purpose was to deter frivolous, hopeless or fantastic proposals that might bring the whole project into disrepute in the public mind. They circulated a text of a letter of commitment to be signed by the promoters, including an undertaking to provide the necessary finances.

UK Ministers saw some problems with that. Such a letter presupposed that the proposals submitted by promoters would be in final form. It would be expecting too much in the first instance to ask them to make commitments, especially of a financial nature, which might if accepted - at least under English law - amount to a contract. It was likely that discussions between the chosen promoter and the Governments would be necessary before the proposals attained their final form. An undertaking of this nature would be necessary then, but not before.

It was difficult to come to quick decisions on a letter just circulated; Mr Jordan and M. Fayard should examine the issue and report back.

The French Ministers agreed; but it did not seem to them that the letter of commitment contained anything incompatible with the normal arrangements for tendering. Certainly there must at some time be a commitment to filter-out proposals that were less than serious. A further necessary measure would be to require promoters to put down a deposit with their proposals - large enough for the task of deterrence. That proposal, and the circumstances of the deposit's loss or reimbursement, should also be studied by officials.

11. Evaluation process

The French proposed that a new small group of experts should be appointed to analyse proposals submitted and produce a technical report to both Governments. Its composition would need to be different from that of the Lyall/Rudeau group; different areas of expertise were required at this stage.

UK Ministers agreed that expert advice would be needed, though both sides would, eventually, have to report to their own Governments. It was too early to choose the members now; the Governments should come back to this point in the late summer, preceded by preparatory work by officials.

12. Frontier controls

UK Ministers considered it would not be possible to establish the location of frontier controls until the submission of proposals had made clear the type of link under discussion, and the amount of space available. While endorsing the desirability of keeping controls to a minimum, they foresaw some difficult problems. The need to deal with goods from one country not accepted in the other seemed to argue for an English post on the English side, and a French one in France. Any other solution implied officials of one state exercising their jurisdiction within the boundaries of another.

A single check-point on either side for controls of a similar nature was the strong desire of the French Ministers. The extraterritoriality problem seemed insignificant; every country accepted Embassies to which a similar principle applied. But they agreed that this was a matter for later decision.

The French Ministers asked for minor drafting changes to the guidelines to avoid the impression that unnecessary - and potentially ridiculous - prominence was being given to the need to exclude rodents. The UK side emphasised that the fear of health risks was a genuine one in England; but agreed to the amendments.

13. Duty free facilities

Duty free facilities were of considerable importance from the point of view of financial viability. In the French view, fair competition between modes of crossing the channel required the CFL to have such facilities.

The guidelines required promoters to provide their financial calculations both with and without duty free facilities and UK Ministers believe that this would be helpful to Governments in assessing the extent to which this availability was critical. There was an argument that the CFL would be a European land crossing, and no duty free should be allowed. The EC would be unlikely to be favourably disposed to a breach of this principle. Any approach to the Commission should be deferred.

The French felt it was essential to argue the case immediately with the Commission. The CFL was, after all, a sea crossing by a different means, not a land crossing. It would be hypocritical to ask for calculations both with and without duty-free if the Governments were not prepared to make a case.

It was agreed that officials from both countries should enter into exploratory discussions with the Commission.

Other Matters

The French raised extra points relating to the guidelines:

i. compensation to the promoters if either Government abandoned the project should take account of what promoters had spent so far. It was agreed this should be the subject of urgent discussions between officials with a view to elaboration of the guidelines after publication.

ii. Para 34.9 said that a significant proportion of the ultimate financing of the CFL should not come from banks. It was agreed on both sides that, to an important extent, the finance should be a diversion or increase of investment and savings, not just an increase in the money supply. But, in France, the banks were the medium through which 'savings' were predominantly collected. The wording of the paragraph might suggest to French bankers that their participation was to be severely limited. An amendment to the guidelines should be agreed to cover the point.

iii. A revised wording of 35.13 was agreed to reinforce the principle that competition between forms of crossing would be genuine. An amendment was agreed.

iv. It was agreed there should be a joint Franco-British approach to the European Commission to apply for VAT zero-rating for the CFL.

v. Section 4, Annex 1 specified, by reference to the draft EC directive, the elements of an environmental impact analysis in England. This was necessitated by the fact that (as recorded in paragraph 43.1) there was already a relevant French law whereas there was none in Britain. Minister's agreed that it was necessary to avoid the impression that the French were less concerned about environmental impact than the UK. An amendment to the heading of Section 4, Annex 1 was agreed in order to achieve this.

14. Press handling

The principles of a joint communique to be issued in England and France the next day were agreed, and the text itself was subsequently agreed by officials.

The Official Working Group

All four Ministers joined in expressing their appreciation of the effective and successful work of the official working group, chaired by Mr Lyall and M.Rudeau.

Private Office

22 March 1985

Distribution: PS/Mrs Chalker
- PS/Mr Mitchell
- PS/Mr Spicer
- PS/Sir Peter Lazarus
- Mr Holmes
- Mr Cole
Mr Hannigan
- Mr Knighton
Mr Palmer
Mr Coates
Mr Dempster
- Mr Lyall
Mr Osmotherly
Mr Peeler
Mr Sriskandan
Mr Sunderland
Mr Yass
- Mr Devereau
- Dr Woodman
- Mr Jordan
Mr Webber
- Mrs Nash-Brown
Mrs Ramsay

TRANSPORT: Channel
Tunnel: Pt 2.

