

PRIME MINISTER

INTERNATIONAL CONFERENCE CENTRE

Mr. Baker's letter (Flag A) sets out his proposals for use of the Conference Centre. No need for you to read. (If you do, the second and third pages as marked give a summary.) The important point is that the business plan points to a net operating loss of £3½-4 million in 1986-87 reducing to £2¼-3 million by 1989-90.

The Foreign Secretary and others go along with this. The Treasury do too (Flag B), but on the understanding that a more radical review promised by Mr. Baker in his letter is pursued vigorously. The Policy Unit agree with the Treasury that a fundamental review is urgently needed to prevent the Conference Centre becoming a continuous drain on the taxpayer.

Agree to write to Kenneth Baker wholeheartedly supporting the need for a radical and thorough review?

DN

Yes not

(David Norgrove)

24 October 1985

ppr please. ^{Doc}

PRIME MINISTER

25 October 1985

INTERNATIONAL CONFERENCE CENTRE

John MacGregor is absolutely right. A fundamental review is urgently needed, to prevent the Conference Centre becoming a continuous drain on the taxpayer.

We recommend that you should write to Kenneth Baker, wholeheartedly supporting the Treasury line.



OLIVER LETWIN



10 DOWNING STREET

From the Private Secretary

28 October 1985

QUEEN ELIZABETH II CONFERENCE CENTRE

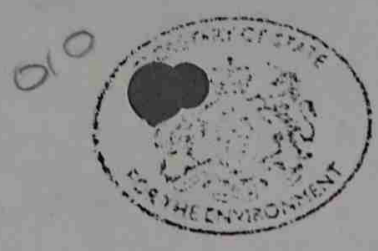
The Prime Minister has seen your Secretary of State's letter of 8 October to the Foreign and Commonwealth Secretary and subsequent correspondence. She remains very concerned about the prospect that the International Conference Centre may become a continuous drain on the taxpayer. She agrees strongly with the Chief Secretary that a radical review of the options for the future of the Centre needs to be pursued with great vigour.

I am copying this letter to Stephen Boys Smith (Home Office), John Mogg (Department of Trade and Industry), Richard Mottram (Ministry of Defence), Richard Allan (Department of Transport), Richard Broadbent (Chief Secretary's Office) and Michael Stark (Cabinet Office).

(David Norgrove)

Miss Sue Vandervord,
Department of the Environment

3/F // Await DL comments *ccol*
A



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Prime Minister

See pp 293.

DHS
24/10.

My ref:

Your ref:

8 October 1985

Dear Foreign Secretary

THE QUEEN ELIZABETH II CONFERENCE CENTRE

The new Conference Centre is now approaching completion and it will be fully operational in time for the EC Presidency in July 1986, which was the main requirement colleagues had in mind in taking their collective decision in 1982 to go ahead with construction using public funds.

There is already a strong and growing market interest in the Centre and a number of private bookings have been made in accordance with Patrick Jenkin's announced intention of bringing in private users. Buckingham Palace have been approached on the possibility of a royal opening by the Queen next Summer, and the publicity from such an occasion will undoubtedly stimulate further market interest. Meeting the requirements of the EC Presidency starting in July next year must, of course, be our prime concern for the present and nothing must be allowed to stand in the way of achieving operational readiness for that first major event. We must, clearly, also look beyond the Presidency to ensure that there is a continuing income, and this will necessitate active marketing now.

A Business Plan has been prepared, with the assistance of Mr Geoffrey Smith, an independent Conference Consultant who was formerly Director of the London Visitors and Convention Bureau and of the London Tourist Board. The starting point in preparing this Plan has been the Cabinet's decision, taken in 1982, that the Centre should be built primarily to meet the Government's needs for highly secure conference facilities, and my predecessor's subsequent decision to bring in private conferences to help maximise income. The first question is whether we should now accept this basis for the Business Plan or whether we should delay its implementation while we explore further options for maximum revenue.

I cannot accept a recurring loss of £3-4m a year without a very thorough examination of all possible alternatives - but we can't wait for the result of such studies, which could take until the Spring 1986 - before implementing on the present basis (which does not preclude any further change). In particular we cannot afford to let up on our current efforts to secure bookings to maintain the flow of conference income from all users. This means directing our marketing at Government Departments every bit as much as at private users, because they too will have freedom of choice under the FMI to make their bookings in private facilities if we cannot attract them to our Centre.

Commercial marketing will inevitably limit the availability of the Centre for Government use. The second question is whether we accept the constraints which maximising income from the private sector will entail. Private bookings, particularly for the large (and lucrative) professional and trade association conferences for which the Centre's facilities will be especially attractive tend to be made a long way ahead. If the Centre is to attract substantial private conference business, as I believe it must, then bookings will have to be contractually confirmed at least up to 2 years ahead of the event concerned, and protected against cancellation in favour of a subsequent Government requirement.

Our officials have recently discussed this point and I understand that it is not a major problem for you. The approximate dates of the major international events for which the Centre has been designed, and which cannot be readily catered for elsewhere - the EC Presidency, the Economic Summit, Commonwealth Heads of Government and Commonwealth Finance Ministers meetings - are normally known more than 2 years ahead. Other Government conferences tend to be relatively small and a careful analysis of the accommodation requirements for such conferences held in London over recent years has indicated that the Centre's Secure Suite (which would in any case have to be reserved solely for Government use for security reasons), together with the existing conference facilities in Lancaster House, should provide sufficient flexibility to cater for the Government's normal short-term conference requirements. The Plan accordingly proposes that the Lancaster House facility, and also some small meeting rooms in the Centre, should be retained as back-up accommodation for Government use when the Centre is fully booked.

These arrangements would not, however, cater for a major Government meeting called at less than 2 years' notice where security considerations required the clearance of the whole building, and for which the back-up facilities in Lancaster House were too small. Such events are, on past experience, likely to be very rare indeed. They would have to be dealt with in the light of circumstances at the time.

If you accept this I shall pursue a strategy aimed at bringing in private sector conference use to the maximum extent compatible with the building's status as a Government facility, and with the original requirement to provide permanent, highly secure conference facilities for Government use. This will require, in particular, that:-

- a. The Secure Suite, and certain small meeting rooms, should be reserved at all times exclusively for Government use; and, these rooms apart.
- b. Private conference bookings should be taken and contractually confirmed up to 2 years ahead of requirement; and, once confirmed, they should not be subject to cancellation in favour of a subsequent requirement for use by Government;
- c. The existing secure conference facilities in Lancaster House should be retained against the possible need for use by Government when the Centre's facilities are already booked. This requirement would need to be kept under close review as experience is gained of operating the Centre;

d. Charges for facilities in the Centre should be set at competitive London conference market rates, with flexibility to respond to seasonal and other variations in demand. For hirings to the private sector for major rooms a premium of 10-15% above those for the main London competitors is envisaged to avoid charges of unfair competition.

On this basis, and setting a target of 70% utilisation rates by 1989/90, the Plan points to a nett operating loss of £3.5m-£4m in 1986/7 reducing to £2.25m to £3m by 1989/90. These figures will not be easy to attain and I am bringing in a good marketing manager from the private sector whose remit will be to bring in as much business as practicable.

Meanwhile we will carry on with the work of looking at alternative uses for the Queen Elizabeth II Conference Centre. My officials will be in touch with yours and officials in other Departments and the Policy Unit.

I would be glad of your agreement, and of those to whom this letter is copied, to these proposals. Could I ask for responses to this letter by Monday 21 October; otherwise I will assume you are content.

I am copying this letter to the Prime Minister, Leon Brittan, Douglas Hurd, Michael Heseltine, Nicholas Ridley and John McGregor, and to Sir Robert Armstrong.

Yours sincerely

SW Anderson

KB

KENNETH BAKER

*Approved by the Secretary of
State and signed in his absence*