

Minister for Local Government



Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 3434

21 August 1985

Dear Mich,

NBM

PLA and LDDC: ACQUISITION OF ROYAL DOCKS

Thank you for your letter of 8 August to Patrick Jenkin explaining that David Mitchell has obtained the PLA's agreement to reduce the premium on the existing lease by £1.2m.

I have to say that this has not taken the matter as far as we had hoped, following the E(A) discussion, to bring the public sector cost of the lease into line with that of vesting. We would nonetheless be prepared, reluctantly, to accept the revised deal in view of the overriding importance of LDDC acquiring the land quickly - and the absence of more effective means of bringing pressure to bear on the PLA. I suspect, however, that Peter Rees will find that the renegotiation has not done enough to close the £7.4m gap, in net present value terms, between the lease and vesting.

If Treasury cannot accept the revised terms and it proves impossible to encourage the PLA further to reduce their demands we will have to report back to E(A) that we have been unable to make progress on the lines proposed. If it came to that, I should have to advise Patrick that, in the interest of getting an effective decision made, he should reopen the possibility of using vesting as a means of securing an acceptable price.

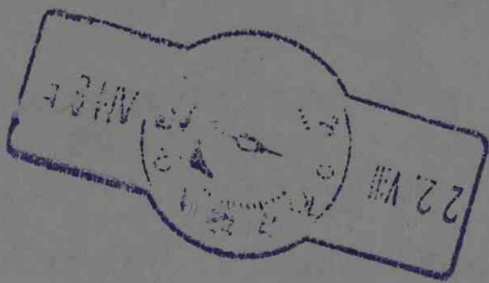
My chief anxiety concerns the effect of further delay on the very momentum that we are all keen to maintain. The holiday season makes this difficult; I believe, however, that the three of us should meet again at the earliest opportunity in order to see whether we can agree on a course of action; and failing that put the issue again to E(A).

/ I am sending a copy of this letter to the Prime Minister, the Chief Secretary and Sir Robert Armstrong.

KENNETH BAKER

The Rt Hon Nicholas Ridley MP

Regional Policy
Pt 7 Inner Cities



110



DEPARTMENT OF TRANSPORT
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The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON SW1P 3EB

8 August 1985

WBM

Dear Patrick

PLA AND LDDC : ROYAL DOCKS

At the meeting of E(A) on 31 July, when we discussed the agreement between the PLA and the LDDC for the lease of land in the Royal Docks, it was agreed that the suggestion of transferring the land by vesting Order should not be pursued. However I agreed to approach the PLA to see if they might be prepared to agree to some reduction in the costs of the deal.

David Mitchell saw Sir Brian Kellett on 6 August and explained the difficulties which we face. David pressed Sir Brian very hard, and eventually Sir Brian agreed to a reduction of £1.2m. in the facilitation fee payable under the terms of the lease.

I made clear at E(A) that I thought that £1m. was the very most that we could expect the PLA to agree to, and indeed I think we have done well to get them to go so far. I certainly do not think they could be pressed to go any further. Kellett made clear to David Mitchell that, by reducing the terms of the lease by this amount, we were increasing the likelihood that the PLA will in due course have to come back to the Government with requests for further financial assistance, and having interfered with the terms of the lease in this way it will be the harder for us to resist this. But this is something that we shall just have to live with.

I hope that the terms of the lease can now be quickly settled, to ensure that, as we are all anxious to see, the momentum of redevelopment in this part of Docklands is maintained.

I am sending a copy of this letter to the Prime Minister, the Chief Secretary and Sir Robert Armstrong.

Yours truly

Nicholas

NICHOLAS RIDLEY