

PRIME MINISTER

CANARY WHARF

I am very doubtful about the idea of an arrangement for the Government to share in any super profits from Canary Wharf.

There may be large profits, and it is in many ways undesirable that Canary Wharf should have the benefits of an Enterprise Zone.

But there are also risks to the development, for example the space becoming available around Fleet Street, and the way the City are now easing planning restrictions.

For the Government to propose to share or tax the profits could kill this, at worst, and cause delays and uncertainty at best.

I suggest you do not intervene.

DN

(DAVID NORGROVE)

21 April 1986

*Agree we do not
intervene*

Agreed not

DOCKLANDS LIGHT RAILWAY AND CANARY WHARF

For a good reason, the redevelopment of London's Docklands commands powerful Ministerial support. Exciting progress has already been made. Now there is the enticing prospect of Canary Wharf being developed by the private sector as a satellite of the City, linked by light railway to the Bank. The difficulty for the Government is how to be sure that the deal with Travelstead's Consortium is close to the best achievable.

We need not regret that a privatised Docklands Light Railway was not attainable. The cause of enterprise is probably better served by giving Docklands a good forward-looking transport infrastructure, integrated with that of the rest of London. Freed from the GLC, the management of LRT is doing a creditable job. LRT is the best candidate to construct and operate the Docklands Light Railway.

The Treasury officials involved in the Bank Extension negotiations believe that the deal concluded with the Consortium is satisfactory; LRT's net investment may not rigorously meet the normal investment criteria, but there are offsetting benefits.

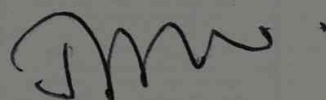
That said, we should view the project as an integrated whole; the Consortium certainly will. Here there are dangers. Some forecasts indicate that the Consortium may be in a position to make super profits from the Canary Wharf development. In that event, critics will draw attention to public expenditure of the order of £300 million on the

transport infrastructure (albeit not solely for Canary Wharf) and ask why the Government was such a soft touch.

Conclusions

1. The terms of the Bank Extension deal are satisfactory and can be endorsed. For this key transport link, DTp/LRT should look carefully at the trade-off between modest additional expenditure and the greater scope for later expansion of capacity.
2. It would be worth asking Kenneth Baker for a report on the status of the Canary Wharf negotiations, stressing that, in view of the appreciable contribution of public expenditure to the project, the Government must be satisfied that provision has been made for the Exchequer to share in possible super profits.
3. The Treasury do not want to give LRT an assurance that their capital expenditure programmes on buses and the underground will not be reduced to help fund the Docklands Light Railway. It should be possible to devise a form of assurance which indicates that it is not the Government's intention to starve LRT's established operations of capital funds, although the overall position will have to be reviewed as circumstances unfold.

JOHN WYBREW



REGIONAL POLICY, Inner City Policy

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CONCLUSIONS

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MR. WYBREW

Thank you for your minute of 18 April about the Docklands Light Railway and Canary Wharf. This is just to record that the Prime Minister has seen your minute but is very doubtful about the idea of an arrangement for the Government to share in any super profits from Canary Wharf. She believes that a Government proposal to share or tax the profits could well cause undesirable delays and uncertainty. She does not therefore propose to intervene.

Timothy Flesher

23 April 1986