

P 02367

PRIME MINISTER

Docklands Light Railway - Eastern Extension

DECISION

1. You will recall that the Environment Secretary raised this at the start of E(LF) yesterday. As paragraph 4 of his paper makes clear, Ministers in both DOE and DTp in fact received submissions on this last week, and I understand that there is a long history of discussions between the London Dockland Development Corporation (LDDC), London Regional Transport (LRT), and DOE, DTp and Treasury officials, in which Ministers have also been involved at various stages. It is therefore all the more curious that this should have been sprung on a Ministerial Committee without warning. But the paper indicates that there are issues for the Government which merit collective discussion, and I therefore recommend that the meeting of E(A) provisionally arranged for Monday afternoon should go ahead.

2. The issue for decision is whether the Secretary of State for Transport should give consent for LRT to lay a Bill by 27 November authorising the construction of the eastern extension of the docklands light railway.

BACKGROUND

3. LDDC have for some time been considering the eastward extension. The estimated cost is £125 million at 1986 prices, which LDDC are advised it should be possible to fund in full from the resulting increase in land values in the area owned by them which would be affected (estimated at £208 million). They see this project as indispensable to developing the Royal Dock, and it would also service the STOL port. It is for LRT to promote the necessary legislation. The Government's policy for both this

extension and for that to Canary Wharf is that the capital cost (above what can be serviced from fare revenues) should be met by the private sector developers, or from the realisation of the increase in the value of LDDC's land. LRT first sought the Secretary of State for Transport's consent last year, but it was then refused because the economic case had not been made.

THE ISSUE

4. The specific issue now is whether the Bill should be introduced in this session. There is no operational reason why it cannot be delayed until next year. In brief, the main arguments for and against delay are as follows:-

(a) Arguments for delay:

(i) There has not yet been time thoroughly to assess the economic assessment by LDDC and the assurances from the developers. So there could be a financial risk in proceeding;

(ii) Although introducing the Bill does not actually commit the LRT to build the extension, and Government consent could subsequently be withheld, in practice it would be difficult for the Government to pull out once it had blessed the Bill;

(iii) This would also weaken the Government's negotiating position with the private sector developers and possibly make it more difficult also to call in the undertakings already made by the developers of Canary Wharf in support of the City extension, the Bill for which is currently before Parliament.

On this see paragraph 8 of Mr Ridley's paper. He seems to admit John Moore's case.

(b) Arguments for giving consent now:

(i) Delay might be regarded as a lack of Government commitment to the redevelopment, with the possible loss of attractive development possibilities and of private sector backing;

(ii) It would not be possible to secure Royal Assent in the current Parliament, so creating a greater degree of uncertainty about the timing of the project, and indeed whether it would proceed at all.

So far the Transport Secretary has favoured the case at (a) (I understand that he may minute to you to confirm this before the meeting on Monday); and the Environment Secretary that at (b).

5. The issue in essence is therefore whether the symbolic importance of legislating quickly and reasserting the Government's commitment outweighs the risk that the Government might find themselves increasingly committed to a project which ultimately proves not to be economically viable.

Compromise Course?

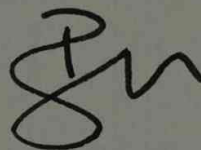
6. The Environment Secretary floats the potentially attractive middle course of introducing the Bill late in the current session. It would then be in breach of Standing Orders, and it would be necessary for the Standing Orders Committee to decide whether the usual requirements might be waved. It is difficult to predict their reaction. The Dartford ^{Crossing} Tunnel Bill will already be late, following the Channel Tunnel Bill last year. If it appeared that a third controversial Bill had been introduced late because of Government delay, and in particular one raising contentious planning issues where no public enquiry had been held, there might well be political difficulties. The fact that there is no absolute need for the Bill to be introduced before next November is also a factor. If the Committee were to prove

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difficult, in practice nothing would be gained by introducing it late compared until waiting until next year.

HANDLING

7. You will wish to ask the Environment Secretary to introduce the discussion. The Secretary of State for Transport and the Chief Secretary will wish to respond. The Chief Whip will have views on the Parliamentary handling. Other Ministers will wish to contribute.



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Cabinet Office

21 November 1986