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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

FIXED CROSS-CHANNEL LINK

Note by the Central Policy Review Staff

1. The CPRS agrees with the Chief Secretary's view (E(81) 122) that the assessment of the schemes for fixed links has not yet been taken to the point where firm Government decisions can be reached. As the Secretary of State for Transport says in E(81) 121 "It is too early to suggest where on a balance of financial, economic and other considerations, the final choice should rest." The emphasis in his paper is mainly on technological and organisational aspects of the alternatives. Obviously any proposal needs to be technologically sound and realistically costed but an equally important consideration is the soundness of assumptions on traffic and charges and the assessment of any indirect benefits to the economy as a whole. In further discussions with the French, realistic judgement of these aspects will be as important as the technological alternatives.
2. At present it is not clear what are the merits of each alternative from an overall national point of view; nor is it clear how far the various risks (eg unexpected technical difficulties, low traffic out-turn) have been assessed. Until more is known of these aspects it would be wrong to enter into any commitments to guarantees which would to some degree preclude Government support for alternative investment elsewhere in the economy.
3. One risk with the course proposed by the Secretary of State for Transport (paragraph 9 of E(81) 121) is that the French may wish to press ahead with a rail tunnel, so that the options will not have been properly explored before the Government is in some degree committed to this.
4. The CPRS suggests that the Committee might find it helpful to take the main questions in the following order -

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(1) Would the prospective returns as estimated (4 - 6% for the tunnel option) and any wider national benefits, given the uncertainties and risks, be good enough to justify going ahead, since this is likely to mean providing indirect Government guarantees?

If so -

(2) Is there sufficient information available at present, on wider benefits as well as costs and risks, to decide the preferred option, as between a bored tunnel and the more expensive schemes?

(3) Is the political need, domestically and vis-a-vis the French, for legislation in the 1982-83 Session overriding? - if so, this precludes the more expensive options (paragraph 8).

If the answers to (2) and (3) are "No", so that the more expensive options should be kept open -

(4) Can talks with the French be handled in such a way that a fuller assessment is made of all the options, before there is any commitment to rule out some of them?

Even if as a result of the answers to (2) and (3) the Committee decides in favour of the bored tunnel option, the Chief Secretary's point about avoiding any commitment before there has been a full assessment of risks and financing remains important.

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