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My ref:

Your ref:

The Rt Hon John Moore MP
Secretary of State
Department of Transport
2 Marsham Street
LONDON
SW1P 3EB

NBPM.

6 April 1987

Dear Secretary of State,

attached

Following our discussion at E(A) on 25 March, and subsequent negotiation with Mr Travelstead and his colleagues, which is still in progress, I now propose to bring the matter to a conclusion one way or another, by the end of April.

What I have in mind, in granting a final extension to the option agreement beyond its present expiry date of 9 April, is to say that we must have all outstanding documentation from the Consortium and its members and proposed guarantors not later than 13 April, which was the date by the which the British contractors were said to be in a position to decide on participation. It should be possible to have the remaining issues on the Master Building Agreement and, I understand, on the rail agreement, settled by then.

What most recently appears to be on offer is that guarantees to complete the privately funded infrastructure would be provided by First Boston and Mr Travelstead, jointly and severally, for 70% or 80% and by British contractors for the remainder. Morgan Stanley and Credit Suisse First Boston, having withdrawn as guarantors and members of the Consortium, would be committed to a building of 1.5m sq ft gross between them. These changes are not reassuring; but it is still possible that we may be able to reach an acceptable agreement. The Consortium are pressing for a date for decision by Government for the deal to go ahead in the week beginning on 13 April, but the changes they have recently been making in their composition, and proposals for guarantors and commitments to build, have been such as to make it unreasonable to commit ourselves to that.

The Easter Recess makes a decision immediately after 13 April impractical in any case, because I foresee the need for careful consideration of the existing material before us and any new material which comes in and further consultation with colleagues. At this stage, therefore, I have in mind that we should continue to extend the option agreement week by week, but subject to final legal advice and any developments over the next few weeks, we should serve notice on the Consortium on Thursday 23 April that we intend to bring these negotiations to a conclusion one way or another by Thursday 30 April. In this connection, I know that you are concerned on the cost implications on the railway side of going beyond that date.

I am copying this letter to the Prime Minister, other members of E(A) and to Sir Robert Armstrong.

Yours sincerely

PP

APS/M. Ridley

PP.

NICHOLAS RIDLEY

(Approved in draft by the Secretary of State and signed in his absence)