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PM

Treasury Chambers, Parliament Street, SW1P 3AG

Rosalind Cole  
Private Secretary to the  
Chancellor of the Duchy of Lancaster  
Department of Trade and Industry  
1 - 19 Victoria Street  
London  
SW1H 0ET

12 February 1988

Dear Rosalind,

EUROPEAN TRANSONIC WIND TUNNEL

WITH COP/PM'S BOX.

The Chief Secretary has seen your letter to Charles Powell of 10 February.

He was content with the line recommended for the Prime Minister to take. But he demurs at your suggestion that additional costs arose because of Treasury action to contain deficit financing of the tunnel.

The costs in question are those which arise from ETW's expected operating deficit. The arrangement now negotiated covers three years, after which ETW must be self-supporting. The intention is to reduce overall costs, by putting a term to otherwise open-ended deficit financing by the Governments. The 1985 estimate made no allowance for such continuing costs, thus understating the true cost to the UK.

The Chief Secretary thinks that this underlines the importance at early stages in the life of collaborative projects of identifying all the relevant costs, before substantial commitments are undertaken.

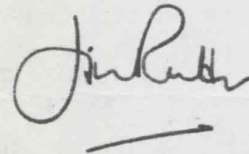
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He looks forward to the thorough reappraisal of ETW for which he has asked!

I am copying this letter to Charles Powell(No.10), Lyn Parker (Foreign & Commonwealth Office), Ian Andrews (Ministry of Defence), and Trevor Woolley (Cabinet Office).

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'Jill Rutter', with a horizontal line drawn underneath.

JILL RUTTER  
Private Secretary