

NDPn  
AT 2917



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon Peter Rees QC MP  
Chief Secretary to the Treasury  
HM Treasury  
Parliament Street  
LONDON SW1P 3AG

29 July 1985

*Dear Peter*

LDDC : ROYAL DOCKS

You sent me a copy of your letter of 22 July to Patrick Jenkin about the terms on which the LDDC should acquire the Royal Docks from the PLA. I understand that the three of us are to meet on Tuesday to attempt to resolve the matter.

I am concerned to see from your letter that there seems to be some difference of view about the financial effects of the different options. As the annex to Patrick's letter of 17 July makes clear, the discounted NPV figure of £10.076m is the cost of the leasing option computed in accordance with the conventions which the Treasury adopt for the purposes of the Public Expenditure Survey. These conventions require that the capital value of an asset should be brought into account in year 1 in addition to the annual leasing costs. This may be a sensible convention for the purposes of the PES, but it involves a measure of double counting since it aggregates a capital value with annual leasing payments. The actual cash cost of the leasing option, discounted, is £6.5m, which makes it only £3.4m more costly than the vesting option. This I would suggest is the figure which we should have in our minds when considering the costs of the different options, and I hope that on reflection you will agree.

I am sending a copy of this letter to the Prime Minister, Patrick Jenkin and Sir Robert Armstrong.

*Nicholas Ridley*

NICHOLAS RIDLEY