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PRIME MINISTER

cc: Mr. Owen

SEA LINK

You have seen the papers reporting the discussion between Mr. Tebbit, Mr. Ridley and the Chancellor on the sale of Sea Link. The Chancellor has now minuted - Flag A - supporting the pressing on with the sale.

Flag C Mr. Tebbit has accepted this and will be issuing a press notice tomorrow saying:

- (i) Four companies will not be referred to the MMC
- (ii) P&O will be and will thereby be put out of the running for Sea Link
- (iii) European Ferries will not be released from their undertaking not to acquire Sea Link

From the standpoint of competition this is satisfactory as it ensures that Sea Link will not go to one of the existing operators on the main cross Channel routes.

AT
[Signature]

ANDREW TURNBULL

Press Notice

PUC

Department of Trade and Industry

1 Victoria Street, SW1H 0ET Press Office: 01-215 3919/3789 Ref: 275
Out of hours: 01-215 7877

May 15, 1984

10.30

PROPOSED BIDS FOR SEALINK UK LTD

A number of proposals to acquire Sealink have emerged in response to a request for offers on behalf of the British Railways Board (BRB).

The Secretary of State for Trade and Industry, Mr Norman Tebbit, has now considered advice from the Director-General of Fair Trading on whether these proposals should be referred to the Monopolies and Mergers Commission. In accordance with the Director-General's advice, he has decided not to refer proposals to acquire Sealink by the following potential bidders:

The "Sealink Consortium"
Trafalgar House PLC
Sea Containers Limited
Ellerman Lines PLC

The Director-General considered that the proposed acquisition of Sealink by P & O raised issues which merited investigation, and should not be allowed to proceed in the absence of a full investigation and report by the Monopolies and Mergers Commission. The Secretary of State agreed with this advice. BRB informed potential buyers of the terms for the sale to implement the policy agreed between Government and BRB for the disposal of Sealink, and in particular, made clear that all bids would have to be unconditional in all respects. Since the time required for an MMC investigation would mean that P & O would be unable to provide an unconditional bid on the timetable envisaged for completion of the sale, the Secretary of State understands that BRB will inform the company that BRB cannot consider a proposal by P & O to acquire Sealink. In that event, as P & O's proposed acquisition could not proceed, the Secretary of State would not envisage that it would be necessary for him to refer it to the Monopolies and Mergers Commission.

In accordance with the advice of the Director-General, European Ferries PLC is not to be released from its undertakings not to acquire Sealink.



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5422
GTN 215
(Switchboard) 215 7877

Secretary of State for Trade and Industry

14 May 1984

Andrew Turbull Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Andrew,

SEALINK

As we discussed today, the Department will be issuing a press notice to explain my Secretary of State's view on the bids which have been received for Sealink in response to offers from the British Railways Board.

2 I enclose a copy of the press notice which has been agreed with the Department of Transport.

3 I am sending a copy of this letter to Margaret O'Mara in the Chancellor of the Exchequer's office and to Henry Derwent in Mr Ridley's office.

*Yours ever,
Ruth*

RUTH THOMPSON
Private Secretary

Press Notice

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In accordance with the advice of the Director-General, European Ferries PLC is not to be released from its undertakings not to acquire Sealink.



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

14 May 1984

The Rt. Hon. Nicholas Ridley MP
Secretary of State for Transport

Nick

SEALINK

You wrote to me on 11 May and I subsequently received a copy of Norman Tebbit's letter to you of 10 May.

I share your view that the best course in the present circumstances is to allow the trade sale of Sealink to go ahead on the basis already agreed. Since Norman has decided that he cannot allow P&O to bid for Sealink without a reference to the MMC, this will mean that P&O must be excluded. I can understand Norman's concerns, but it is important to maintain the momentum of the privatisation programme, and I think it would be difficult to pull back on Sealink, having gone so far.

I agree too, however, that if the bids that are received for Sealink prove unsatisfactory, we shall have to start again. In particular, we will need to be able to demonstrate in due course that sufficient bids have been received to ensure that a proper market price has been obtained.

I am sending copies of this letter to the Prime Minister, the Secretary of State for Defence, and the Secretary of State for Trade and Industry.

NIGEL LAWSON

Nigel Lawson

ECON POL: Privatization

R-9

14 May 1984





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Secretary of State for Trade and Industry

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14 May 1984

CONFIDENTIAL AND
MARKET SENSITIVE

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

D. Nigel,

SEALINK

I have seen Nicholas Ridley's letter to you of 11 May. As I am away in the United States from 14 to 18 May, I simply wanted to confirm that it must be for you and Nicholas to determine where the balance of advantage lies on P&O. My decision remains that a P&O bid must be referred - either now or, if P&O were kept in the running, at a later stage if P&O came up with the best offer. In that sense any bid by P&O would be conditional.

2 So far as the timetable is concerned, it is our usual practice to inform the companies of decisions on references very soon after they are taken. But there is nothing rigid about this; from our point of view, an announcement need not be made on Tuesday, but I understood that it was BRB who were anxious to have the situation clarified as soon as possible.

3 I am copying this letter to the Prime Minister and the Secretaries of State for Transport and Defence.

Norman

NORMAN TEBBIT

Econ Pol: Privatisation Pt 9

17 MAY 1984



PRIME MINISTER

Sealink

We recommend that you support Nicholas Ridley's decision to proceed with the negotiated sale of Sealink, without waiting for a Monopolies and Mergers Commission investigation to clear a bid from P&O. Norman Tebbit is being entirely consistent with his recently declared approach to competition policy in not allowing P&O to bid. This may be hard on P&O but we think that we shall just have to live with this because of the advantages of proceeding with the sale as planned:

1. Presentational

Having invited bids it would be odd then to delay the sale for four months or more because one potential bidder turns out, unsurprisingly, to be a shipping company with cross-Channel interests. We always knew that this was a possibility. In addition, by delaying we would appear to be holding the door open to P&O in rather an obvious way (commentators might not believe that Jeffrey Sterling had not had a hand in the decision).

2. Would the Government be sure of gaining financially?

Maximising the proceeds is not, in our view, the major point about privatisation, but it is an important point. However, the outcome could go either way; a P&O bid might increase the proceeds, but conversely, delaying could just as easily lose one of the interested bidders. Who knows what adverse factor might materialise in the course of the delay?

3. Downside Risk

The downside risk of proceeding as planned is that some of the four potential bidders who have expressed an interest drop out, leaving BR, in the absence of P&O, with unattractive bids. In this eventuality, the fall-back position is to either start the round again next spring, by which time P&O might have secured clearance, or go for a flotation. There is plenty of cover here, if the present operation is abortive.

NICHOLAS OWEN

11 May 1984

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Notes

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PRIME MINISTER

You should be aware of this dispute. Mr. Tebbit feels he must refer any P&O bid for Sealink to the MMC. Mr. Ridley wants to press on with Sealink sale but if he does P&O will be unable to take part in the bidding as, unlike the other participants, it will not have been able to get itself cleared in time. Mr. Tebbit feels this amounts to prejudging P&O's case and suggests delaying Sealink sale. He argued to Chancellor yesterday after you had left meeting that if the "other deal" came off, the Government could afford to postpone. Mr. Ridley, of course, does not know about the "other deal". Policy Unit strongly support pressing on.

BT

11 May 1984

CONFIDENTIAL

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

11 May 1984

Dear Nigel

SEALINK

You have had a copy of Norman Tebbit's ^{attached} letter to me with his decision that he would refer a proposed acquisition of Sealink by P&O to the Monopolies and Mergers Commission, who would take four months to report. He leaves it to me to decide who may and may not bid. The note of 10 May ^{attached} from the Prime Minister's office records Norman's discussion with you before Cabinet, in which he expressed his anxiety about criticism if P&O were arbitrarily excluded without having had opportunity to present their case, and his suggestion that the Sealink sale might be delayed for this. I think it would have been more appropriate if I had been present at that discussion; and if you have difficulty with this letter I want to discuss it with you immediately. Moreover, I fear the course Norman advocates is impractical.

We all agreed last December to proceed promptly with the sale of Sealink in the way that the British Railways Board are now following. They have gone a considerable way along the road. A number of substantial acceptable bidders

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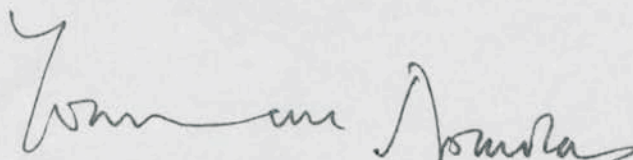
have put their hats in the ring and have been supplied with substantial confidential information. There is simply no basis on which we can judge what the MMC might at the end of the day recommend, whether if the sale were deferred the other bidders would still be interested, whether they would in the event be ready to offer more than P&O, what the fortunes of the Sealink business will be during the peak season this year, or what the effect on the staff of the company and its industrial relations would be of putting everything back until the autumn.

These are all good reasons why the Railways Board wish to proceed promptly, and have stipulated that they will not accept conditional bids. Since Norman's decision prevents P&O making an unconditional bid, they must be excluded from receiving further information. The contingent interest of P&O is not a good enough reason for me to override that view by the Board.

For these reasons I have concluded that it would be wrong for me to do anything to delay the sale. Of course if in the event that fails to produce a satisfactory final bid, we shall have to start again. But I have at present no reason to expect that.

Norman Tebbit's office need to announce his conclusions as soon as possible. I think this should be done on Tuesday.

I am sending copies of this to the **Prime Minister**, the Secretary of State for Defence and the Secretary of State for Trade and Industry.

A handwritten signature in dark ink, appearing to read 'Nicholas Ridley', written in a cursive style.

NICHOLAS RIDLEY

Elone Per: Privatisation

VH 9



10 DOWNING STREET

From the Private Secretary

10 May 1984

Dear Callum,

Sealink

Your Secretary of State spoke to the Chancellor of the Exchequer before Cabinet today about the sale of Sealink. He was concerned that excluding P&O as a bidder would be subject to severe criticism. P&O's position was different from that from European Ferries which had been the subject of an MMC ruling. Ministers would be vulnerable to criticism that P&O had been arbitrarily excluded without having had an opportunity to present its case. Your Secretary of State suggest that the proceeds from the Jaguar privatisation and other asset sales in prospect would be sufficient to allow the Sealink sale to be delayed, thereby allowing P&O's eligibility as a bidder to be reviewed. The Chancellor of the Exchequer acknowledged this point and it was agreed that it should be considered further by officials.

I am copying this letter to David Peretz (HM Treasury), Andrew Hudson (Financial Secretary's Office) and Dinah Nichols (Department of Transport).

*Your sincerely
Andrew Turnbull*

Andrew Turnbull

Callum McCarthy Esq
Department of Trade and Industry

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Secretary of State for Trade and Industry

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10 May 1984

CONFIDENTIAL AND
MARKET SENSITIVE

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London SW1P 3EB

Copies to:
PS/PUSS (CCA)
Sir Anthony Rawlinson
Mr Caines Dep Sec
Mr Wright Hd/GP
Mr Wollman Hd/Sols A
Mr Bradbury Hd/Ec2C
M vide cp.

D. Nicholas

SEALINK

As you know, I have received advice from the Director General of Fair Trading on whether European Ferries should be allowed to bid for Sealink and on whether bids by a number of others should be referred for investigation by the MMC. This is to confirm what I said to you on the telephone this morning.

European Ferries

2 Although I believe there are arguments in favour of a strong UK force to challenge Continental competition, I accept that European Ferries should not be released from its undertakings and allowed to bid.

Sealink Consortium; Trafalgar House; Sea Containers; Ellerman

3 I agree with the Director General that there are no grounds for a reference of bids by these companies.

P & O

4 I agree with the Director General that there are good grounds for a reference to the MMC of P & O's wish to acquire Sealink. As the Minister responsible for administering the Fair Trading Act, and having made it clear that I am disposed to accept the advice of the Director General on merger references, I could not allow P & O to bid for Sealink without a reference to the MMC. A decision to refer is of course a decision to investigate, not a decision that the proposed merger would on balance be against the public interest. But it is, in my view, vital that that investigation should be made by an independent body; and it would be quite inappropriate for Ministers, or this Department, to take on the

JH1ABM



role.

5 The MMC could complete a report within four months. It is for you to decide whether you can extend your timetable for selling Sealink to accommodate a report and thus enable P & O to bid. If P & O as well as European Ferries were excluded from the chance to bid I would expect considerable criticism that two of the most likely acquirers were being ruled out, in the case of P & O without a proper hearing. What is more, it could well be claimed that the taxpayer would have secured a better price for Sealink if these bids had been considered. But I can understand that you have other considerations to bear in mind, and the decision on who may and may not bid is, of course, one for you.

6 It is the normal practice to announce decisions on references to the MMC. In this case, our respective positions on P & O will have to be made clear at the same time. This will require very careful presentation and I would be grateful if your officials could be in touch with mine about that aspect.

7 I am copying this letter to the Prime Minister, the Chancellor of the Exchequer and the Secretary of State for Defence.

NORMAN TEBBIT

Eron Pol : Privatizacija
pt 9