



From the Secretary of State

CONFIDENTIAL

The Rt Hon Sir Keith Joseph Bt MP
 Secretary of State for Industry
 Department of Industry
 Ashdown House
 125 Victoria Street
 London, SW1E 6RB

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~~From the Secretary of State~~
 The note wants
 the Ferranti shares
 to be placed into
 23. June 1980

Dear Keith.

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FERRANTI

Since we briefly discussed the disposal of Ferranti in E Committee last week, I have been given further thought to the options and their various implications for monopolies and mergers policy. It may be helpful to colleagues to have my views before the meeting of E(DL) tomorrow.

In earlier correspondence on the disposal of Ferranti and Fairey I made clear that the decision on competition aspects would turn on the advice given to me by the Director General of Fair Trading, and I pointed to the difficulties of vetoing any recommendation for a reference to the Monopolies and Mergers Commission (my letter of 17 April to Nigel Lawson).

The likelihood of a bid by GEC for the NEB holding in Ferranti reinforces my thinking on this point. My own information, contrary to what Adam Butler implies in his Memorandum (E(DL)(80)8), is that the Director General could well recommend reference to the MMC. To overturn his recommendation so as to prevent the MMC from considering the implications for the public interest of such an acquisition would destroy the credibility of our competition policy. Moreover, I



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believe that it would not be acceptable to the House of Commons.

Reference to the MMC would have two disadvantages. First, the consequent delay would be contrary to our disposals policy on early realisation of these assets and consequent benefits to the PSBR. Secondly, an adverse finding by the Commission could in any event prevent the shares passing to GEC.

In these circumstances I consider that, despite the financial penalty to which Adam Butler refers, the only option which we ought to contemplate is a placing with the institutions. If GEC then decide to overbid for the holding, the acquisition could be referred to the MMC and any adverse conclusion would not damage our objectives.

I am copying this letter to the Prime Minister, to all Members of E(DL) and to Sir Robert Armstrong.

*Yours ever
John*

JOHN NOTT

25 JUN 1963



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