



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
SW1

6 December 1983

Dear Nigel

Sealink Privatisation

British Rail have now almost completed the processes of physical separation of Sealink from the railway business, and an early sale is now a practical proposition. However Sealink has only this year returned to profit, after a period of losses, and so a Stock Exchange flotation would not be an option until the Spring of 1985 - and even then only if the company continues to fulfil the expectations of its management. I enclose an aide memoire with key facts on the Company.

We and BR are at one in wishing to achieve private sector status at the earliest possible moment, since that will give the company the best prospect of a successful future. I propose therefore to ask BR to press ahead in seeking a negotiated sale either to a commercial buyer, or to a consortium involving, perhaps, some trade investors and some financial institutions. BR have had a number of tentative inquiries which suggests that there should be some bidders of each of these types.

BR's own preference would have been for their merchant bankers (Morgan Grenfell) to organise a consortium to purchase only part of the shares (though sufficient to achieve private sector status). If the company does improve its profit record in future years BR would then have shared in that profit through an ultimate sale of that residual shareholding. This arrangement would also have the attraction for them that it would preserve the company and its management in very much its present form (although the Company does not know that BR plans some necessary strengthening of the management in senior positions) and so would be less likely to create industrial relations problems with the unions.

I have concluded however that such a sale could not be defended, since it would do nothing to test the market. But I believe that if the sale prospectus gives emphasis to a number of matters where Government policy impinges on the sale, then several of BR's fears will, in fact, prove groundless. First, I propose that they should stipulate that the buyer must provide a scheme for employee shareholding - this has been an attractive feature of previous privatisations, and I believe it would be very helpful in this case, both as a means of encouraging future efficiency in the company, and as a means of diminishing the inevitable political outcry about a commercial sale.

Next, I propose that BR should specify that the ports and the shipping business should be bought as a single entity. This is right commercially for the company; it is in line with repeated statements made during the passage of the enabling legislation in 1981 that this was the preferred course, and any other course would delay a sale by at least a year.

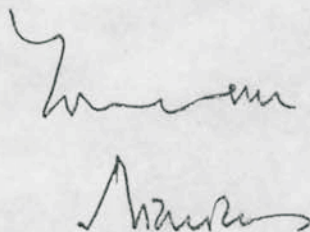
BR should also require the purchaser to take on the business with its employees on existing terms and conditions, so that BR would not be saddled with redundancy obligations; it would of course be open to the buyer to negotiate new arrangements subsequently if he wished. BR might also seek assurances about the intentions of the purchaser with regard to the future of the company. (A special blocking shareholding to maintain British registration of Sealink's ships would be contrary to our policy of freedom to bring ships on and take them off the British Registry). Some possible buyers would of course present problems of competition policy, and so would need to be excluded on those grounds. BR would retain the right to refuse to negotiate with bidders who did not satisfy the above criteria, and, if necessary, to reject all offers, if none seemed sufficiently attractive. Since the sale requires my consent, that decision would ultimately be for Government to judge.

It is difficult to forecast the level of potential bids but Morgan Grenfell, and my own advisers, Hill Samuel, suggest that a figure of about £60-70m might be obtained for a sale of 100% of Sealink in the Spring of 1984, provided the buyer has control of the company. This is substantially below the historic book value (of about £90m excluding leased assets), and so would inevitably attract public controversy. But the plain fact is that past investment and borrowing by Sealink cannot be fully remunerated by present or likely future earnings of the company, unless their performance can be improved considerably. That is unlikely to happen until they face the stimulus of the private sector. Thus BR are almost inevitably going to face a book loss because of faults in their past investment and management decisions. Waiting for an upturn in performance cannot be relied on to help; it might well never come, since this is a fiercely competitive market, and meanwhile desirable changes in the company's operations would be inhibited. We should not be in the position of speculating on the Company's future.

I propose therefore to tell BR to proceed on the lines I have indicated. I need to do that quickly since there is still a good deal of work to be done on the Prospectus, which must be issued in January if a sale is to be completed before the early summer. If BR miss this timescale they are advised that a sale would not be practicable until the 1984 results are available, i.e. until early 1985.

I hope that unless any of our colleagues raises objections, you will be able, as Chairman of E(DL), to authorise me by 9 December to proceed as I propose.

I am copying this to the Prime Minister, to E(DL) colleagues, to the Foreign Secretary, the Home Secretary, the Secretaries of State for Northern Ireland, Scotland, Wales, and Defence and to Sir Robert Armstrong.

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

NICHOLAS RIDLEY

SEALINK (UK) Ltd

Fixed Assets

Operates some 40 ships, of which owns - £40m
 leases - £85m

Owens and operates 7 harbours: Folkestone
 Parkeston Quay, Harwich
 Heysham
 Holyhead
 Newhaven
 Stranraer
 Fishguard

Total assets employed (including leased ships) - £170m

TURNOVER £230m

PROFIT / (LOSS) AFTER INTEREST

1979	1980	1981	1982	1983 (Budget)
£6m	(£2.8m)	(£9.6m)	(£6.4m)	£7m

ROUTES

23 ferry routes between Britain and Holland, Belgium, France, Isle of Wight, Channel Islands, Republic of Ireland, Northern Ireland. Virtually all services are multipurpose carrying foot passengers, accompanied cars and Ro/Ro freight.

MANPOWER

Seagoing	4600	(Merchant Navy and Airline Officers Association, National Union of Seamen)
Shorestaff	4300	(Confederation of Shipbuilding and Engineering Unions, NUR)
HQ	700	(TSSA)

MR. TURNBULL

SEALINK PRIVATISATION

Nicholas Ridley proposes to privatise Sealink by means of a negotiated sale in 1984 with a Stock Exchange flotation in 1985 as a fallback if suitable bids do not materialise.

We are encouraged by the plan for an early disposal of Sealink. We are inclined to discount the asset valuation problem mentioned in Mr. Ridley's letter (a possible realisation of £60 million against an asset valuation of £90 million). All the property and shipping companies quoted on the London Stock Exchange (including consistently profitable ones) sell at a discount to asset value. The nearest parallel, Euroferries, currently sells at more than 20% discount to net asset value. We question whether the flotation need be delayed until 1985 and suspect that it reflects a degree of foot-dragging by Sealink management who are nervous about the consequences for them of privatisation. We would urge that a negotiated sale be attempted in, say, March 1984, with flotation in April or May 1984.

Mr. Ridley's note argues that 1984 is not an option for flotation because Sealink has "only this year returned to profit". This is a familiar kind of argument (usually advanced when the company in question "has not yet returned to profit") which is not convincing because:

i. it disregards the improved performance which a company could achieve under private ownership. To wait until a public sector management has established a profitable position misses the essential point, namely, that a private sector management is better able and/or better motivated to improve performance;

ii. the market is just as well equipped to judge the potential of Sealink in 1984 as it will be in 1985;

iii. the arguments for pressing ahead with negotiated bids, so well expressed in Mr. Ridley's note (eg "waiting for an upturn in performance cannot be relied upon to help ... desirable changes in the company's operations would be inhibited") apply equally to the flotation route. If trade bidders can judge prospects well enough in 1984, so can the market generally.

iv. time is money for governments, as for anyone else.

If the Prime Minister agrees, you might observe that the proposal for an early sale is encouraging and then register the point with Mr. Ridley's office that the arguments for proceeding with negotiated bids in early 1984 seem to apply with equal force to a flotation soon after, rather than in 1985.

N
NICHOLAS OWEN
8 December 1983
o



10 DOWNING STREET

Prime Minister

Endorse Mr Ridley's
wish to privatise Sealink
as soon as possible but
register Policy Unit point
that the arguments why a
flotation would take
longer than a negotiated
sale is "not very strong?"

AT 8/12

Yes - but what
else is going
to market in
1984?
no

cc HMT CAR
DTI FCO
MAFF HO
DOE NIO
D/N SO
FSO WO
MOD CO

CONFIDENTIAL

FILE



be. N. Owen

da

10 DOWNING STREET

From the Private Secretary

9 December 1983

Sealink Privatisation

The Prime Minister has seen your Secretary of State's letter to the Chancellor of 6 December. She endorses his wish to press ahead with the privatisation of Sealink as soon as it can be done. She wonders however whether it really is the case that this could not be done by flotation before Spring 1985. The fact that Sealink has only this year returned to profit need not be a bar. If trade bidders are able to project forward the improvement in performance which should be made in private ownership the market should be able to do so as well. The Prime Minister assumes that sale in 1984 would not clash with other privatisation exercises.

I am copying this to the Private Secretaries to Members of E(DL), the Foreign Secretary, the Home Secretary, the Secretaries of State for Northern Ireland, Scotland, Wales and Defence, and to Sir Robert Armstrong.

Andrew Turnbull

Miss Dinah Nichols,
Department of Transport.

CONFIDENTIAL

End



NBPM
AT 12/12
cc/10

QUEEN ANNE'S GATE LONDON SW1H 9AT

9 December 1983

D Nick,

SEALINK PRIVATISATION

-with TF/A7?

Thank you for copying to me your letter of 6 December to Nigel Lawson about the privatisation of Sealink. I have no comment on the substance of what you propose, but I wonder whether our current difficulties with the French over no-passport excursions to France, in which the FCO are taking the lead, might affect the timing. As you know, Sealink are very much involved in this business and the strong possibility of the French denouncing the current agreement would, we understand, have a considerable effect on companies such as Sealink which operate day excursions.

It is possible that the launching of a Sealink prospectus in January could coincide with a French announcement terminating the agreement, in which case the Government might be open to criticism.

I am copying this letter to the recipients of yours.

Law,
L

The Rt Hon Nicholas Ridley MP

2205 PM: Privatisation Pt 8

0
1
2
3
4
5
6
7
8
9
10
11
12

1000

CONFIDENTIAL

NBM
BT 12/12

14/20



NORTHERN IRELAND OFFICE
WHITEHALL
LONDON SW1A 2AZ

SECRETARY OF STATE
FOR
NORTHERN IRELAND

The Rt Hon Nicholas Ridley MP AMICE
Department of Transport
2 Marsham Street
LONDON
SW1P 3EB

12 December 1983

N Ridley

SEALINK PRIVATISATION

Thank you for copying to me your letter of 6 December to Nigel Lawson.

My main concern in the sale of Sealink centres on the future of the ferry services from Scotland to Northern Ireland which are now of central strategic significance to the Northern Ireland economy. These are operated by Sealink (from Stranraer to Larne) and by European Ferries (from Cairnryan to Larne). It is important to Northern Ireland that the element of competition arising from the presence of two carriers on these routes - which has resulted in improvements to the service - should not be prejudiced by the sale of Sealink. I am therefore grateful for the assurance in your letter that some possible buyers may not be regarded as acceptable because of problems of competition, and I take it that you would regard the preservation of competition on the Scotland-Northern Ireland routes as an essential consideration in the approval by Government of a buyer.

I am grateful for having been consulted and would be glad to be kept informed of further developments.

Copies of this letter go to the recipients of yours.

N Ridley

CONFIDENTIAL

Elm Rd,
Peweesboro,
N.C.

DEC 1983

12 1 2 3 4 5 6 7 8 9 10 11 12



JU186
Secretary of State for Trade and Industry

a 10

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215 5422
GTN 215
(Switchboard) 215 7877

13 December 1983

CONFIDENTIAL

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London SW1

D. Nick.

SEALINK PRIVATISATION

Thank you for copying me your letter of 6 December to Nigel Lawson on this.

2 I agree with your proposal that British Rail should be authorised to proceed with preparations for the negotiated sale of 100% of the shares in Sealink (UK) Ltd to either a commercial buyer or a consortium on the conditions proposed in your letter.

3 One of these conditions is that certain possible buyers should be excluded on competition grounds. There are in fact a number of competition considerations in relation to the privatisation of Sealink. These arise from two Monopolies & Mergers Commission reports. One covered the supply of cross channel car ferry services; following its findings and recommendations, Sealink - and presumably any successor - is obliged to refrain from various restrictions on competition. The other found against the merger proposed in 1980-81 between European Ferries and Sealink; following this finding, European Ferries are bound by an understanding not to merge with Sealink. Against this background, thought will need to be given to how best to frame the conditions for privatisation. I suggest that officials of our two Departments should consult on this aspect of the privatisation operation.

4 I am copying this letter to the Prime Minister, the Chancellor, E(DL) colleagues, the Foreign Secretary, Home Secretary and the Secretaries of State for Northern Ireland, Scotland, Wales, and Defence and to Sir Robert Armstrong.

g -
Norman

NORMAN LEBBIT

ECON Pp: Privatisation

NOV 1983
11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31
B
S



Prime Minister ②
Treasury and DTI content
with an early trade sale of
Sealink.

AT 13/12

Treasury Chambers, Parliament Street, SW1P 3AG

13 December 1983

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

mr

Dec W. Wilson.

SEALINK

Thank you for your letter of 6 December to the Chancellor.

If a flotation is not possible in the first half of 1984, I share your view that a trade sale is much to be preferred.

Not only would a placement not test the market, but if Sealink's results are as forecast, a placement could result in windfall capital gains for the institutions, and consequent criticism of the Government. Although a trade sale may raise industrial relations concerns, these should not be insuperable.

It is a matter of judgement now that we have a specific proposition on the method of sale as to whether it is worth holding on for a better price. On the one hand, Sealink's results may improve; the company has a strong market share and a substantial asset base. The City advisers are bullish about the profit forecasts. So we have to acknowledge that a sale now at £60-70 million could forego a possible higher sale price in Spring 1985 based on a profit forecast in late 1984. The higher price would have benefits for both BR and the Government. On the other hand, I accept that there are strong arguments for selling Sealink as soon as possible. We have given the industry a deadline, and there is a good reason to suppose that private sector ownership will get a better return on the assets than Sealink have managed to obtain in the past.

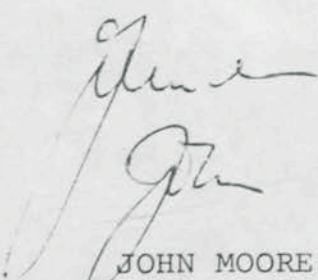
I understand however that you have considered this point and are content that the balance of payment argument is for sale now; and so I would not contend that the prospect of a better price in a year's time should be an overriding consideration.

So far as your proposed conditions on the sale are concerned, I share your view that it is important to provide if possible for employee shareholdings, although previous examples have tended to be in the context of a flotation or a management buy-out. There may be technical difficulties in devising a suitable scheme as part of a trade sale, and some buyers may be deterred from bidding if this condition is too restrictive. I understand, however, that your intention is to ask bidders to indicate what provisions they would make for employee shareholdings. Decisions on whether a scheme is practical will need to await these responses.

I have considered also your proposal that the shipping and ports businesses should be sold together. I can see that the public commitments made in 1981 may be inescapable, but we have to acknowledge that these were given with half an eye to the known concerns of BR management and the rail unions, and before we had any specific proposition for a sale in view. I accept that a bidder would be happy to buy harbours for his sailings, but this may not be a decisive consideration. All the calculations have been done on the basis of selling Sealink as a whole, although the harbours subsidiary is comfortably in profit; so we do not know if the overall price would be bettered by selling the ports separately. I imagine that you will want to satisfy yourself on this point if you have not already done so. If we proceed by a single sale it should be possible to drive a hard bargain on the price for the harbours subsidiary.

Subject to these points, I would be content for you to go ahead as you suggest. The Chancellor will write further as Chairman of E(DL) once colleagues views are known and in light of any further comments you may wish to make.

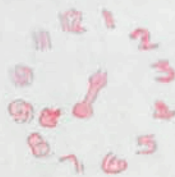
I am copying this letter to the Prime Minister, to E(DL) colleagues, to the Foreign Secretary, the Home Secretary, the Secretaries of State for Northern Ireland, Scotland, Wales and Defence, and to Sir Robert Armstrong.



JOHN MOORE

ECONOMI POL: Privatisasi on Pt 8

11 3 DEC 1985





DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

NO

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

Prime Minister
Mr Ridley, in the light of
comments from colleagues, intends
to press ahead with a trade sale
in early summer 1984
19 December 1983 AT 19/12

mt

Dear Nigel

I refer to my letter to colleagues of 6 December about
privatisation of Sealink. I am grateful for the comments
received, and the general support expressed for an early
sale. That is, of course, in line with the timetable we
have discussed for the future programme of privatisations.

I did consider carefully whether a flotation in early
1984 was a possibility. But both my own and BR's merchant
bankers advised that a normal flotation before the 1984
results are available would produce very little money. The
information made available to purchasers would have to be
limited to that which could be included in the Prospectus,
and there would be little opportunity to convince selected
buyers of the underlying prospects of the company. We also
considered whether a flotation could be mounted using
shareholders' travel concessions as an additional attraction.
But we concluded that to do that would complicate the
preparations to such an extent that a sale before the start
of the summer season would be impracticable, and once that
window was missed it would be preferable to wait for the
1984 results. I therefore concluded that early flotation
is not an option.

CONFIDENTIAL

We cannot be certain whether or not the company would fetch more if sold with its harbours separated from ships although Morgan Grenfell formed the preliminary view that this would not improve the price and that it made commercial sense to sell the company as a single entity. But in any case the option is not available unless we are prepared to delay the sale for at least a year, because the separation process, including the negotiation of contracts for each of the harbours and the resolution of staffing problems, could not be completed until after the 1984 summer season.

The abolition of "no-passport excursions" would damage the business of Sealink, like that of other ferry operators - and I hope that my colleagues responsible for these negotiations will be able to find a satisfactory solution. If they cannot, that will, I am afraid, depress the profitability and therefore the value of the company. But either way I believe it would be wrong to let this possibility influence the timing of the sale; that could lead to criticism that the Government was withholding relevant information. I understand that it is proposed to inform the ferry companies very soon of the present state of negotiations with the French. If that is done it will be public knowledge before the sale documents are issued.

Several colleagues had concerns about the character of the possible purchaser, and, for example, of the need to maintain competition. That is well recognised and will be taken fully into account in considering bids.

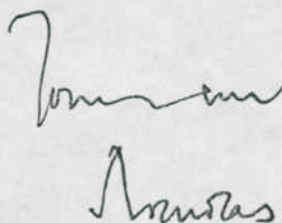
In the light of the general support expressed by colleagues, and in view of the reasoning set out above I propose now to tell BR that at this stage the only course

CONFIDENTIAL

CONFIDENTIAL

which would lead to my giving consent is that of a sale to a commercial buyer or consortium as described in my previous letter.

I am copying this to the Prime Minister, members of E(DL), to the Foreign and Home Secretaries and the Secretaries of State for Northern Ireland, Scotland, Wales and Defence, and to Sir Robert Armstrong.

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

NICHOLAS RIDLEY

CONFIDENTIAL

Exec Pol,
Privatization,
P48

19 DEC 1993

11 12 - 2 3 4
5 6 7 8 9

CONFIDENTIAL

cc NO



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-218 6666 (Direct Dialling)

01-218 9000 (Switchboard)

PARLIAMENTARY UNDER-SECRETARY OF STATE
FOR DEFENCE PROCUREMENT

MO 21/8/5

Prime Minister ②
A late reservation from
Mr Heseltine, but one
which should prove
capable of resolution.

20 December 1983

AT 20/12 MT

Dear Nick

SEALINK PRIVATISATION

In Michael Heseltine's absence, I am replying to your letter of 6th December to Nigel Lawson. I have also seen your letter of 19th December. Unfortunately we had very little time in which to comment, but there are significant defence implications in the proposed sale which need to be considered.

There was a good deal of correspondence on this subject in September and October of 1981, when the discussions centred on the possibility that Sealink might pass into Danish or Finnish ownership. Peter Blaker, who was then Minister for the Armed Forces, expressed two reservations and was supported by other Ministers who saw the same dangers. The first area of concern, namely that Sealink's port facilities might pass into foreign hands at a time when we did not have emergency powers over ports (lost in the Transport Act 1981) has largely been overcome by the restoration of those powers as a result of the passing of the Transport Act 1982. Although there could conceivably be problems if Sealink's port facilities were under foreign, possibly non NATO ownership, I am satisfied that the powers we now have are adequate to meet any reasonably foreseeable circumstances.

However, there remains the risk that Sealink's fleet might at some time in the future be sold to a foreign buyer. Here the situation has deteriorated since 1981. At that time, Sealink's fleet comprised about one sixth of the total lift available to us for reinforcement, and while there was always the risk that we might be short of shipping once US requirements were better defined, we were not at that time unduly worried by

/the

The Rt Hon Nicholas Ridley MP

CONFIDENTIAL

the prospect. But since then the total number of available vessels has declined - and will probably continue to do so - though the number of Sealink vessels has remained largely the same. As a result, the Sealink fleet now represents approximately one third of the total UK shipping resources available for the reinforcement of BAOR, and its loss would obviously have a far more serious impact on our reinforcement capability. In particular, the train ferries owned by Sealink are the only ones available and could well be needed. Moreover, we have an additional requirement for the use of Sealink ships for the UK/Netherlands amphibious force and in support of the US/UK lines of communication arrangement.

I feel it is vital, therefore, that a sale of Sealink be carried out in such a way as to preserve the Government's right of access to those ships in the Sealink fleet that are essential to the execution of our reinforcement and war plans. I propose that our officials should consider, as a matter of high priority, how our defence requirements can be reconciled with the sale of Sealink, and report back to us by the end of January.

I am copying this letter to the recipients of yours.

*with kind regards
Ever
Col.*

JOHN LEE

ECON POL: Privatisation
pt 8



20 DEC 1983

CONFIDENTIAL

cc NO



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

NBPM AT 23/12

John Lee Esq MP
Parliamentary Under-Secretary of State
Ministry of Defence
Main Building
Whitehall
LONDON
SW1A 2HB

22 December 1983

Dear John

SEALINK PRIVATISATION

I have today received your letter of 20 December, which appears to have been delayed in transit.

Let me first say that I had, of course, given careful attention to the possible defence implications of a Sealink sale, as it is incumbent on me to do so as the Minister responsible for planning the use of our merchant fleet in time of emergency. I believe that many of your worries can be answered, and I shall be happy for our officials to get together to produce a report for us on all these issues during January.

But what I cannot accept is that I should hold back in giving a clear steer to British Rail until that work is complete. To do so would set back the timetable to such an extent that we would miss the opportunity to sell Sealink for a whole year, (since all our advisers agree that a sale can only be undertaken before the summer season starts to get under way.) Such a delay would be contrary to the privatisation programme which colleagues have agreed.

At present all that we are seeking to do is set in train the process of preparing a sale document on which to seek bids. The issue of such a document will not commit BR to selling if none of the potential buyers is acceptable - and acceptability in defence planning terms will clearly be high on my list of priorities when I consider giving my consent to the sale. There is therefore nothing to be lost by my proceeding now as I suggested in my letter of 19 December.

CONFIDENTIAL

CONFIDENTIAL

As I have said the timetable is urgent; BR need to take the decisions necessary to start sale preparations at their Board meeting at the beginning of January, and so I wish to write to the Chairman giving my views before the Christmas holiday.

I am copying this to the Prime Minister, the Chancellor of the Exchequer, the Foreign and Home Secretaries, and the Secretaries of State for Northern Ireland, Scotland, Wales and to Sir Robert Armstrong.

SS DEC 1969
1 11 00
1 11 00
1 11 00

*Y
Nicholas*

NICHOLAS RIDLEY

CONFIDENTIAL

ECON PER: Privatisation
p. 8

22 DEC 1983

11 12 1
0 9 2 3
8 7 6 5



ce NO
NDPR AT 23/12

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~699-7022~~ 218 6169

MO 21/8/5

23rd December 1983

Dear Dinah,

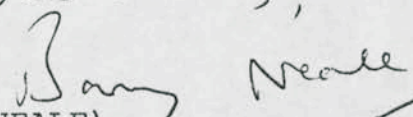
SEALINK PRIVATISATION

Your Secretary of State wrote on 22nd December to Mr John Lee about the proposed sale of Sealink, and about our concern over the possible defence implications of such a sale.

We agree that there is no overriding objection to going ahead with the preparation of a sale document. We nevertheless note that the only proviso mentioned in your Secretary of State's letter suggests that at least one of the potential buyers should be acceptable. We would prefer to see a somewhat tighter safeguard than this, in that we hope it may be possible to devise some means of ensuring that Sealink's facilities should remain available to us in a crisis situation for as long as we feel that they are an essential part of our reinforcement, or other defence, plans. This is why Mr John Lee asked in his letter of 20th December, for a little extra time to consider our position.

However, on the understanding that British Rail do not take any action that will constitute an irrevocable commitment, I can confirm that we are content that your Secretary of State should authorise the BR Board to proceed along the lines suggested. For our part, we will do what we can to speed up the consultation between our officials, and aim to provide a final view earlier than the suggested date of the end of January.

Copies of this letter go to Andrew Turnbull at No 10, to the Private Secretaries to E(DL) members, Foreign and Home Secretaries, Secretaries of State for Northern Ireland, Scotland and Wales; and to Richard Hatfield in Sir Robert Armstrong's office.

Yours sincerely,

 (B P NEALE)
 Private Secretary

Miss Dinah Nichols
 Private Secretary to the Secretary of State for Transport

ELON PO
Privatisation
Pg 8

27 DEC 1987

