

CONFIDENTIAL

Transport  
Prime Minister (2)



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

MUS 23/2

John Kerr Esq  
Private Secretary to the  
Chancellor of the Exchequer  
HM Treasury  
Treasury Chambers  
Parliament Street  
LONDON SW1

23 February 1983

Dear Mr Kerr

#### BRITISH TRANSPORT HOTELS

I am writing to let you know about the outcome of British Rail's public tender offer for sale of 21 of the 23 British Transport Hotels.

The Railways Board have now decided to accept offers from 4 separate bidders for a total of 10 hotels at a sum of £25.85m. This is about £1.8m above the independent valuation of the 10 hotels concerned. These sales are expected to be completed by the end of March.

For the remaining 11 hotels, all combinations of tenders were judged to be too far below valuation to be acceptable. The Board therefore intend immediately to put these 11 hotels up for sale by private treaty and are reasonably confident these can be sold, for in excess of £10m, and perhaps up to £14m, over the next 3 to 6 months. They expect some of the hotels to be sold very quickly, since they figured, in combination with others, in some of the unsuccessful tender bids. The total proceeds should then be close to the original independent valuation.

Although BR had said that they would give some preference to bids for 8 or more hotels, there was in fact only one. This covered all 21 hotels, but was not acceptable because it was for a sum about 20% below valuation, and was very little different from the earlier offer, made last year by a consortium led by senior BTH managers, and rejected as being too low. The management consortium did not in the event participate in the tender process, although they had been expected to do so.

My Secretary of State has made it clear in Parliament that the decision on which tenders to accept or reject was

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entirely one for the Railways Board to make, with the help of their financial advisers, Morgan Grenfell. Neither he nor the Department has been involved in the selection process.

The successful tenderers will be informed early tomorrow afternoon together with the hotel managers. Morgan Grenfell will then be issuing a press release, and the unions will be told.

The fact that the tender offer has not resulted in the immediate sale of all 21 hotels will be a disappointment to the Board, particularly since their hope of keeping a sizeable chain together will not be achieved. It will no doubt be argued that they should have sold 18 of the hotels to the management-led consortium last summer. The Board can counter this by pointing out that they expect to realise substantially more money by the route they have adopted. The management-led consortium were given every opportunity to participate in the tender, although in the end they were unable to raise the necessary financial backing.

I am copying this to Michael Scholar, to Private Secretaries of members of E (DL) Sub-Committee, and to Sir Robert Armstrong and Mr Sparrow.

Yours sincerely

Sue Faulkner

fp.  
RICHARD BIRD  
Private Secretary

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*CCJL*  
Prime Minister (2)

*Ms 7/3*

7 March 1983

*Dear John,*

BRITISH TRANSPORT HOTELS

I wrote on 23 February about the outcome of British Rail's public tender offer for sale of 21 British Transport Hotels. At that stage the Railways Board had decided to accept offers for 10 hotels at a sum of £25.85 million, and to put the remaining hotels up for sale by private treaty.

The Board have now just signed contracts for 8 of the remaining 11 hotels. These are Newcastle, Hull, Peterborough, Moretonhampstead, Glasgow (Central), Inverness, Perth and Aberdeen. They are being sold to a single buyer, Ecletsecure Ltd, which is part of the Virani Group. The price (£4.6 million) is better by some £700,000 than the reserve which had been put on them.

This leaves the Board with 3 hotels: Manchester and Leeds, on which active negotiations are proceeding, and the North British at Glasgow where the hope is to sell it soon to form part of an eventual redevelopment.

I am copying this to Michael Scholar, to Private Secretaries to members of E(DL) and to Sir Robert Armstrong and Mr Sparrow.

*Yours sincerely,*  
*Richard Bird*

RICHARD BIRD  
Private Secretary

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