



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

Telephone (Direct dialling) 01-215 422

GTN 215

(Switchboard) 215 7877

JU633

Secretary of State for Trade and Industry

28 June 1984

K Siddle Esq
Chairman
European Ferries plc
Enterprise House
Avebury Avenue
Tonbridge
Kent TN9 1TH

D M Siddle,

Thank you for your letter of 31 May about my decision not to release European Ferries from its undertaking not to acquire Sealink. As you know, I have been giving careful consideration to your letter, and am now in a position to reply substantively.

The decision not to release European Ferries from the undertaking was taken in accordance with the advice of the Director-General of Fair Trading who has a responsibility to keep under review undertakings given following Monopolies and Mergers Commission reports. As you know, the 1981 report concluded that the proposed merger between European Ferries and Sealink might be expected to operate against the public interest because it would confer a market dominance on the resultant company which would bring about a major reduction in competition, and would also concentrate ownership of the ports. The Commission considered that there was no way of preventing the adverse effects of the merger other than by preventing it altogether. The then Secretary of State accepted this view, and an undertaking was sought from European Ferries not to acquire Sealink. I do not consider that there has been any change of circumstances which would justify waiving that undertaking.

Your proposal to bid for Sealink, after which European Ferries would undertake to divest itself of parts of the operation, was considered in the Director-General's advice to me, on the basis of which I decided that the undertaking not to acquire Sealink should not be lifted. Your proposal is still to bid for Sealink as a whole in the first instance; the British Railways Board have made clear from the outset, in accordance with the privatisation programme agreed with the Government, that they will not consider offers for part only of Sealink's business. Accordingly, I am advised by the Office of Fair Trading that



unless the Board are prepared to separate the ports from the rest of Sealink's business, it is difficult to reach the view that a merger involving the ports only is in contemplation and should be considered by me under the Fair Trading Act.

You raised a point about Sealink's borrowing arrangements with the British Railways Board. Since Sealink is being sold to a commercial buyer, the future capital structure of the company will be a matter for the new owner. The question of a subsidy from the British Railways Board would only arise if it sold its interest in Sealink for less than the company's market value or if Sealink was provided with soft finance by the British Railways Board after privatisation. The British Railways Board has stated its intention of judging all offers on a strictly competitive basis and has said that it wishes to dispose of its entire interest in the company.

g s h
Norman Tebbit

NORMAN TEBBIT

ELON Pd: Privatisation
PLC

23 JUN 1984
10 50 AM '84



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

The Rt Hon Norman Tebbit MP
Secretary of State
Department of Trade and Industry
1 Victoria Street
LONDON
SW1

22 June 1984

Dear Norman

Papers with AT

Thank you for your letter of 19 June about the latest request from European Ferries to be released from their 1982 undertaking not to acquire Sealink.

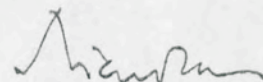

I am frankly puzzled by the fashion in which Mr Siddle and his colleagues pretend to ignore the competition arguments. The acquisition by European Ferries of Sealink's harbours or its shipping activities would result in significant market dominance, as explained in the 1981 MMC report. (Paragraph 8.45 summarised the Commission's conclusions both in relation to Sealink's shipping business and its ports.) In view of that, I find it hard to take Mr Siddle's indignation seriously. We cannot really allow the privatisation programme to lead to monopolies - or near monopolies - in the private sector.

The position of P&O is more understandable. But as I said in my letter to Nigel Lawson of 11 May, colleagues all agreed last December to proceed promptly with the sale of Sealink as an entity and to the timetable the Railways Board are now following. Sale on an entity basis has been the settled and announced policy for years. I was convinced then that proceeding promptly on this basis was the course most likely to result in a successful privatisation of the company in a realistic timescale. I rejected arguments that we should delay on the speculation that the business would improve. I am, I fear, proved more right than I like! The business is doing worse than they predicted.

The Board are very close to inviting formal bids. We should know in a matter of days whether a successful tender can be organised. Within a week or so of that bids will be in, and we will know if an acceptable offer for the company is forthcoming. Given the efforts which British Rail and potential bidders have put into this exercise, it would be absurd to abandon our chosen course at this stage. Nor do we have any sound reason to believe now that a change would result in a better price.

I have always made it clear to colleagues that there can be no certainty that a satisfactory bid will be forthcoming. If we are disappointed we would then have to look at all the arguments afresh. We might have to contemplate splitting up Sealink as the only method of achieving privatisation which would avoid further substantial injections of public money. But it is not a course on which I would lightly embark and the timescale would be a long one.

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



NICHOLAS RIDLEY

22 JUN 1994





JU632
Secretary of State for Trade and Industry

NBPM AT 2/16 XENO
DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5422

GTN 215

(Switchboard) 215 7877

28 June 1984

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

D. Nicholas,

SALE OF SEALINK

Thank you for your letter of 22 June in reply to mine of 19 June about the privatisation of Sealink.

The timetable and basis for the sale are ultimately a matter for you; you are aware of my views, but I accept that it would be difficult to reconsider your approach when formal bids are about to be invited. However, I am pleased to note that you are prepared to reopen the question if a satisfactory bid is not forthcoming.

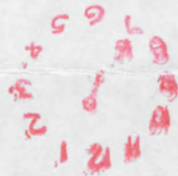
Copies of this go to the recipients of the earlier correspondence.

Norman

NORMAN TEBBIT

León For Privatization

#10



29 JUN 1984



Secretary of State for Trade and Industry

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

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

17 June 1984

CONFIDENTIAL AND
MARKET SENSITIVE

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

Dear Nicholas,

SALE OF SEALINK

I am writing to you again on Sealink because I have recently received a request from European Ferries to release the company from its undertaking not to acquire Sealink in exchange for an undertaking to divest itself of the ferries after the acquisition, and retain only the ports. You will now have seen that Mr Siddle has written to the Prime Minister as well (Andrew *With AT?* Turnbull's letter to Ruth Thompson of 14 June). I also understand that P & O have approached the Office of Fair Trading to explore their attitude to the acquisition of the ports only.

2 The Office of Fair Trading advise that, since BRB are not offering the ports separately, they cannot regard proposals to buy the ports alone as proposed mergers on which to advise me. As regards European Ferries' proposal, it is very doubtful that any such undertaking would be enforceable in practice. It would risk a situation in which the buyer of Sealink appeared then to get a better price for the ports than was reflected in the price for Sealink as a whole. And it would be regarded as a tortuous approach to the privatisation.

3 But I remain concerned that we have artificially limited the field for Sealink and are denying ourselves the possibility of considering bids for its separate parts. Of course I want to see an outcome which is satisfactory on competition grounds, but we have excluded the normal investigations to determine where the public interest lies. A bid for the ports only from P & O would be unlikely to raise competition problems; a bid by European

JH1AKU



Ferries for the ports only would be less difficult than a bid by it for Sealink as a whole, though it still might fall foul of the mergers legislation. Other bidders might emerge if the ports and ferries were on offer separately. From your point of view, you may be concerned at the effect on the price of the exclusion of enthusiastic, credible bidders, particularly in the light of the somewhat mixed collection of bidders that have come forward.

4 You know my views on the situation we have got ourselves into, and I would be grateful to know the latest position on the timetable for the sale and whether you feel now that it would be better to reconsider the basis on which the sale is proceeding.

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

A handwritten signature in black ink, appearing to read 'Norman Tebbit', with a stylized flourish above the name.

NORMAN TEBBIT