

Subject a master*Rice ✓
ce Nick Owen*

10 DOWNING STREET

From the Private Secretary

11 July 1984

Sealink

The Prime Minister held a meeting today at the House of Commons to discuss the bids which had been received for Sealink. Present were your Secretary of State, the Chancellor of the Exchequer, and the Secretary of State for Transport.

Your Secretary of State said that Trafalgar House and Ellerman Lines had decided not to bid and the Sealink consortium had submitted a low and heavily qualified bid. Two bids remained to be considered. The first was from Sea Containers Limited who had bid £66m. subject to some conditions. The second bid, as yet not fully evaluated was from Common Brothers but this was subject to much more stringent conditions. He believed the bid from Sea Containers Limited which contained satisfactory undertakings about the future of the business and the treatment of staff, should be accepted.

The Chancellor of the Exchequer felt that the Sea Containers' bid was better than expected and should be accepted provided merchant bank advisers were prepared to state that it was better than the Common Brothers' bid and that the purchase price was acceptable. He did not think current difficulties with the National Dock Labour Scheme justified any delay.

The Secretary of State for Trade and Industry said the sale of Sealink at this price would be difficult to present. The two largest bidders had been prevented from acquiring Sealink. European Ferries had been ordered by MMC not to make a bid and no time had been allowed for consideration of a bid on a different basis i.e. purchase of the harbours alone. The Director General of Fair Trading had ruled that a bid by P&O would be referable but again no time had been allowed for the reference to take place. As a result bids

received from a very restricted field. The price of £66m. compared with the value on BR's balance sheet of £128m.

Against this it was argued that acquisition by European Ferries would have given 60 per cent of the cross channel market to one operator and acquisition by P&O 40 per cent. It would not be consistent with the Government's intention to increase competition to allow the sale of Sealink to produce such concentration. Although it was true that BR would have to write off a considerable sum the assets should be looked at in terms of their earnings capacity. The company had made substantial losses over the past four years.

Summing up, the Prime Minister said that the bid from Sea Containers limited should be accepted but care should be taken to present the advantages of this deal.

I am copying this letter to David Peretz (HM Treasury), Callum McCarthy (Department of Trade and Industry), Richard Hatfield (Cabinet Office).

Andrew Turnbull

Miss D.A. Nichols
Department of Transport.