



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

Tim Flesher Esq
Private Secretary
10 Downing Street
LONDON SW1

18 July 1984

Dear Tim

SEALINK: STATEMENT BY THE SECRETARY OF STATE FOR TRANSPORT
WEDNESDAY, 18 JULY

It was agreed at E(A) this morning that my Secretary of State should make a statement in the House at 3.30 pm today on the sale of Sealink.

I attach a copy of the draft prepared jointly by my Secretary of State and the Secretary of State for Employment at a meeting following E(A). You are being sent separately copies of the supplementary question and answer briefing.

I am sending copies of this letter and of the draft statement to the Private Secretaries to all members of E(A), and to Murdo Maclean at the Chief Whip's Office.

Yours sincerely,

Henry Derwent

H C S DERWENT
Private Secretary

SEALINK: STATEMENT BY SECRETARY OF STATE FOR TRANSPORT

With permission, Mr Speaker, I should like to make a statement about Sealink.

I have today given my consent under Section 1(2) of the Transport Act, 1981, to the sale of Sealink (UK) by BR to a subsidiary of Sea Containers Ltd - "British Ferries".

The British Railways Board invited tenders, through their advisers Morgan Grenfell and Co Ltd, for the purchase of the whole of the Board's interest in Sealink (UK). Three proposals were received with conditions attached.

The chosen purchaser submitted the bid with the highest value, of some £66m. The British Railways Board have been advised by Morgan Grenfell & Co Ltd that the price fairly reflects the value of the business, and this view is supported by my own advisers Hill Samuel & Co Ltd.

Sea Containers, an international seafreight company with its headquarters in London, have wide experience in freight shipping. They have made a number of constructive proposals for improving Sealink's business. They have agreed on firm contractual commitments to maintain rail-linked passenger services. The parties are already in negotiation on new long-term freight contracts for train-ferry and Freightliner services.

Sea Containers have said firstly that they intend to maintain the existing business and to safeguard the rights of employees, including their pension entitlements which will be protected. They further plan additional capital expenditure to expand the business and increase its profitability. I know that the company will be seeking early discussions with Sealink's trades unions.

Sea Containers have stated their intention to obtain a listing for the company on the Stock Exchange in due course, and that they would expect at that time to give employees an opportunity to purchase shares on favourable terms. Meanwhile they are planning profit-sharing schemes for all employees.

Arrangements have been made to ensure that the contribution of the Sealink fleet to national defence will not be prejudiced by the sale.

This sale is a successful end to the policy transferring Sealink to the private sector which we agreed with the British Railways Board in 1980, and debated in this House in 1981. The price is good, and the sale makes good industrial logic. Customers and passengers of Sealink will benefit from the continuation of competition in the ferry market. Above all it will be good for those who work in Sealink, who will now join a progressive and expanding group with the substantial resources necessary to make a real success of this important enterprise.

ADVANCE COPY OF A LETTER FROM THE SECRETARY OF STATE FOR TRANSPORT

I am writing to inform colleagues that BR have reached agreement to sell Sealink (UK) to a subsidiary of Sea Containers Ltd. (See notes attached), and I have given my statutory consent to the sale.

The offer - of about £66m was the highest tender obtained. The two parties have agreed upon contracts for the continued operation of rail-connected passenger services: this will ensure that services will be protected against any sudden change, and will be helpful in meeting the worries expressed by members in a number of parts of the country that privatisation would result in the withdrawal of local ferry services. In particular, too, it will meet the concerns expressed to Government by the Channel Islands who rely heavily on Sealink and would need time to make alternative arrangements, if Sealink wished at any time to withdraw. The purchaser said that their offer was based on the belief that Sealink profits and essential services to the nation should not be broken up; he intends to reinforce that message by establishing the holding company in the name "British Ferries".

BR received advice from their merchant bankers (Morgan Grenfell), supported by my own advisers (Hill Samuel), that the price fairly reflects the value of the business. Although it is well below book-value the company has a record of losses and after a temporary upturn to £4m profits last year is again predicting a small loss this year. The process of sale was by open and competitive tender. The two major potential bidders went deeply into the affairs of the company before ultimately declining to bid at all. This demonstrates that Sealink has problems which will require skilled management, and probably a substantial injection of funds, to sort out. If we do decide to wait for a sustained profit record to allow a flotation, we would have had to wait for a very long time.

The availability of Sealink ships for defence purposes will be safeguarded by a special share which I will hold. The purchaser and I will exchange undertakings to make it clear that Government will not intervene in the commercial affairs of the company except on grounds of national defence.

/ Sea Containers

Sea Containers have declared an intention to float Sealink in due course, and to give employees an opportunity to purchase shares for favourable terms. Meanwhile they expect to offer a profit-sharing scheme.

This sale represents a very satisfactory outcome to the policy for privatisation of Sealink which we agreed with BR in 1981. It achieves a fair price; Sealink will continue as a major British ferry company on existing routes and services; it makes good industrial logic; and it will not reduce competition in the ferry market.

BR and Sea Containers intend to announce the sale later today, when contracts have been signed, and I will then answer a written PQ. I understand that John Biffen does not wish an oral statement to be made today, but will promise one tomorrow if there is pressure in the House. A draft of the written PQ is attached.

I am copying this letter to all Cabinet colleagues and to Sir Robert Armstrong.

- Q. Mr Richard Ottaway (Nottingham North): To ask the Secretary of State for Transport whether he will make a statement about the sale of Sealink.
- Q. Mr Keith Best (Ynys Mon): To ask the Secretary of State for Transport if he is now in a position to announce the name of the successful bidder in Sealink (UK) Ltd.

SALE OF SEALINK: DRAFT WRITTEN PQ ANSWER

I have today given my consent under Section 1(2) of the Transport Act 1981 to the sale of Sealink (UK) by British Rail to a subsidiary of Sea Containers Ltd.

The British Railways Board invited tenders, through their adviser Morgan Grenfell and Co Ltd, for the purchase of the whole of the Board's interest in Sealink (UK). Three proposals were received, all with conditions attached.

The chosen purchaser submitted the bid with the highest value, of some £66 million. Sea Containers is an international sea-freight company with its headquarters in London. They have made a number of constructive proposals for improving Sealink's business. They have agreed on contractual commitments to maintain rail-link passenger services and so will ensure that none could be withdrawn without reasonable notice. The parties also aim to negotiate new long-term freight contracts for train-ferry and Freightliner services.

The British Railways Board have been advised by Morgan Grenfell and Co Ltd that the price fairly reflects the value of the business and this view is supported by my own advisers Hill Samuel and Co Ltd.

Sea Containers have said that they expect to maintain the existing business and to safeguard the rights of employees, including their pension entitlements. Sea Containers believe that they can

expand the business and increase its profitability.

They have also stated that it is their intention to obtain a listing for the company on the Stock Exchange in due course, and that they would expect at that time to give employees an opportunity to purchase shares on favourable terms. Meanwhile they intend to provide a share option scheme for management, and will consider a profit-sharing scheme for employees.

Arrangements have been made to ensure that the contribution of the Sealink fleet to national defence will not be prejudiced by the sale.

This sale is a successful end to the policy of transferring Sealink to the private sector which we agreed with the British Railways Board in 1980, and debated in the House in 1981. The price is good, and the sale makes good industrial logic. Customers and passengers of Sealink will benefit from the continuation of competition in the ferry market. It will be good for those who work in Sealink, by freeing them from the constraints of the public sector, and good for the railways in allowing them to concentrate on their main activity.