



Treasury Chambers, Parliament Street, SW1P 3AG

Mr Kenneth Baker MP  
Minister of State for Industry  
and Information Technology  
Department of Trade and Industry  
1 Victoria Street  
LONDON SW1

10 November 1983

*Dear Kenneth,*

TELECOMMUNICATIONS COMPETITION

I found our discussion this morning most helpful. The exigencies of the timetable for the sale of Cable and Wireless shares are, I know, an additional complexity for your timetable on top of an already complicated set of factors including the Mercury-POEU case, negotiation with BT, Mercury and Cable and Wireless and the requirements of the Committee on the Telecoms Bill. I am most grateful for the appreciation you showed in these circumstances of the need to finalise the terms of the statement quickly.

For my part, I found our discussion of de-restricting resale encouraging. We are agreed that much depends on the attitude of Mercury and Cable and Wireless and I fully support your intention to discuss this in strictest confidence with Eric Sharp, Sir Michael Edwardes (and BT) as soon as it can be arranged. If, as seems to us possible, Mercury and C&W feel that unrestricted resale would not have a major damaging effect on Mercury's prospects, then I would want to press for the statement to be more forthcoming on this than at present - perhaps even going so far as to contemplate unrestricted resale from 1987 onwards, or, failing that, at least to make more concrete the proposals for wider licensing of particular types of resale in the penultimate paragraph of the present draft.

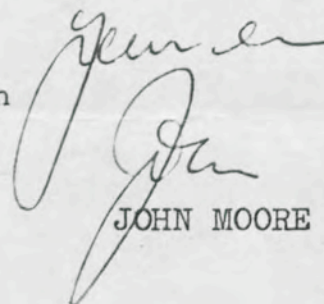
If however Mercury and Cable and Wireless do believe that unrestricted resale would seriously threaten Mercury's prospects, I would not wish to press for it. It is common ground between us that Mercury must be effectively established.

On the issue of the imposition of new national obligations on Mercury, we are agreed that the vital thing is, once again, for discussions with Mercury and Cable and Wireless (and no doubt BP) to proceed with all speed. I was heartened to learn that your officials were confident of the chances of a successful compromise being reached which was both fully commercially acceptable to Mercury and its backers, and would help you in your objective of demonstrating the potential of Mercury as a national competitor to BT.

We discussed the constraint on the length of the discussions imposed by the timing of the Cable and Wireless sale. I know you are fully sensitive to this imperative and will seek to ensure it is met. In my earlier letter I said that the statement ought to be made by Friday 18 November so as to allow the markets time to digest it. It would still be best to achieve this if we can. But we agreed that Tuesday 22 would also be possible, as a last resort, if absolutely unavoidable, though this could unsettle the market for the sale.

Finally we touched on the new point which arose last night about the relationship between the Mercury-POEU case and the statement. We agreed that urgent legal advice was needed on whether the statement would in fact weaken Mercury's case and, if so, how. Your legal advisers are preparing this in consultation with Mercury's. I have asked Mr Hosker to keep in close touch with this so that he can brief the Chancellor and myself on the outcome. There was some feeling round the table that the statement would not weaken the case. I very much hope that this will prove to be the judgement of the experts.

I am sending copies of this letter to the Prime Minister, Geoffrey Howe, Leon Brittan and Sir Robert Armstrong.



JOHN MOORE

11 NOV 1983

