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cc DP

JU482

PRIME MINISTER

MERCURY

Eric Sharp came to see me yesterday to let me know that Cable & Wireless (C&W) have reached a firm decision that they must now either increase their interest in Mercury to the point where they can exercise complete control over its development and management or else withdraw from the Mercury project.

2 They consider the present situation in which ownership and control is divided 50/50 with BP is totally unsatisfactory and cannot be expected to produce the clear and forceful direction of Mercury activities that will be necessary if it is to mount an effective competitive challenge to BT. Mr Sharp asked me to let him know as soon as possible whether we would be prepared to accept such a change in the ownership and control of Mercury (my approval would be needed for such a change under the terms of Mercury's licence).

3 I have been concerned for some time that Mercury's management has not been showing itself to be as strong and resourceful as is necessary if it is to be successful in tackling the BT monopoly. There is no doubt that the equal division of responsibility between C&W and BP has seriously slowed down the taking of

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important decisions and left the management of Mercury itself unsure of the degree to which they have authority to run the business.

4 I believe therefore that there would be advantage from our point of view in seeing clear responsibility pass to C&W. Moreover I am very doubtful whether Mercury could survive if C&W withdraw, so we have little option in practice but to acquiesce in what Eric Sharp is now proposing. I shall tell him, however, that he must make clear to BP that this is a C&W initiative, not that of Government. I should hope that it proves possible for us to avoid having to intervene, although I do not exclude our doing so if this proves a necessary way towards solving a difficult problem. Ideally, however, our position should be simply that we shall not stand in the way of a C&W take over if they can reach agreement on such an arrangement with BP.

5 I shall want to secure assurances from C&W that they will be prepared to devote the necessary management resources to Mercury so as to give it the best possible chance of success. I shall also want to consider further the question of what licence or other conditions may be necessary to prevent C&W from abusing the monopoly position it will hold on some international telecommunication routes if Mercury becomes a C&W subsidiary while other C&W subsidiaries are responsible for telecommunications in important overseas centres (e.g Hong Kong and Bahrein).

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6 I should be grateful to know as soon as possible whether you are content that I should speak to Eric Sharp on these lines. I am sending copies of this minute to the Chancellor of the Exchequer, the Home Secretary and the Foreign and Commonwealth Secretary; and to Sir Robert Armstrong.

NT
NT

6 June 1984

Department of Trade & Industry

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10 DOWNING STREET

Prime Minister ^①

C & W want to raise their shareholding to 55%. The remaining 45% could be held by BP if they are prepared to have a large investment without management & involvement. Alternatively BP's shares could be sold in blocks to other investors.

DTI do not believe there are any security implications provided

- (i) no foreign investors are involved and
- (ii) the investors have no say in day to day management.

Agree to Tebbit's proposals?

Yes  AT 6/6

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cc:dp

10 DOWNING STREET

From the Private Secretary

7 June 1984

Mercury

The Prime Minister has seen your Secretary of State's minute of 6 June and agrees with the line he proposes to follow.

I am sending copies of this letter to David Peretz (HM Treasury), Hugh Taylor (Home Office), Len Appleyard (Foreign and Commonwealth Office) and Richard Hatfield (Cabinet Office).

Andrew Turnbull

Callum McCarthy Esq
Department of Trade and Industry

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~~CO NO~~

N/SPM

AT
12/6PM/84/97PRIME MINISTERMercury

1. The Secretary of State for Trade and Industry minuted to you on this subject on 6 June, and your office replied on 7 June.
2. I have no objection to what he proposes, and support his view that it will be sensible to look at the possible monopoly position arising from Cable and Wireless' activities in overseas centres.
3. I am copying this minute to the Chancellor of the Exchequer, the Secretary of State for Trade and Industry, the Home Secretary and to Sir Robert Armstrong.

GEOFFREY HOWE

Foreign and Commonwealth Office
13 June 1984

Post office: Fribourg
Pt 8



3 JUN 1984



ex DP

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NB PM AT
11/6

PRIME MINISTER

MERCURY

I have seen a copy of the Secretary of State for Trade and Industry's minute to you of 6 June about the latest developments on the control of Mercury. My interest previously was in the possible implications of an interest being taken by a non-British company, which I understand has now receded. I am content with the proposal that Cable & Wireless should discuss the question of control with BP, with a view to assuming total control over Mercury.

I am sending copies of this minute to the Chancellor of the Exchequer, the Foreign and Commonwealth Secretary and to Sir Robert Armstrong.

L. B.

11 June 1984

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Post + Tax Future
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1 JUN 1984