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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

MERCURY

I see from Norman Tebbit's minute to you of 6 June that Eric Sharp, the Chairman of Cable and Wireless, believes that, as at present constituted, Mercury is not likely to mount an effective challenge to BT. I think we are bound to give considerable weight to his views.

2. I wholly take Norman's point that without the participation of Cable and Wireless, Mercury has no future. So, if we are to get effective competition to BT, we must either acquiesce in Cable and Wireless' desire to take over control or look for some other means of stimulating competition.

3. We clearly cannot change our policies on telecommunications competition so close to the BT sale and I therefore agree that it would be right to allow Cable and Wireless to move to take over the direction of Mercury. But it will be crucial to secure assurances from Cable and Wireless of their commitment to Mercury, as Norman indicates, and it would be helpful to hear what they are prepared to offer on this.

4. Next year, after the privatisation of BT, I believe we should review the position to see whether the prospects of Mercury becoming an effective competitor have become any clearer. I take it that we should not be effectively prevented from doing so, by the terms on which BT is floated.

5. I am sending copies of this minute to Geoffrey Howe, Leon Brittan and Norman Tebbit, and to Sir Robert Armstrong.

N.L.

N.L.

11 June 1984

