



PRIME MINISTER

FUTURE OF THE POST OFFICE

A major and sustained effort is needed to overcome the totally unsatisfactory situation which exists in the Post Office. Recent events have highlighted some of the worst problems on the postal side - low productivity, wretched service to the public, poor ^{basic} pay and working conditions - but the performance of the Corporation as a whole is suffering severely because it is too big to be effectively managed, too cushioned from competition and too trammelled by monopoly trade union power.

In my view the following action is needed:

- a) We should implement the recommendation made by the Carter Committee 2 years ago to split the Post Office into two Corporations, one for telecommunications and a second for posts and the Giro. I am satisfied that this will not lead to any increased demand for resources or Government financial support in the short term; in the medium term, by establishing the right conditions for effective management, it should lead to substantial economies in both.
- b) Since legislation to formalise this split will not be possible this session we should press ahead as far as possible by administrative action - in particular, I should



use my power of appointment to re-shape the Post Office Board so that it can operate in practice as two separate executive committees, one for each business.

c) Although a major reconstruction of the Board on these lines will not be possible before the end of year, I should appoint a Deputy Chairman as soon as possible to have responsibility for the posts and Giro business.

d) The present Post Office monopoly over the supply, installation and maintenance of telecommunications equipment should be curtailed. Detailed proposals on how this should be done have already been settled with the Home Office. These proposals would need to be reflected in legislation in due course but in the interim could be introduced in part with the voluntary co-operation of the Post Office once the board had been reconstructed. By significantly extending the area of competition, we shall be widening consumer choice and providing a big stimulus to the Post Office's own efficiency and responsiveness to its customers' needs. We shall also be opening up new opportunities for the private sector to exploit the very rapid technological progress being made in telecommunications. There should be scope for small firms, in particular, to market new services that will meet special consumer requirements. The prospects in this field are exciting!

e) I have already announced that I intend to review the postal monopoly. One essential step here is for the statutory power to grant derogations from the monopoly to be exercised

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in the last resort by the Secretary of State and not, as at present, by the Post Office Board. We should consider the possibility of introducing a very short Bill in the present session to give effect to this change. If parliamentary time permitted, I should like to extend this to the telecommunications monopoly, and will be consulting about the possibilities.

f) The efficiency of the Post Office should be referred for examination by the Monopolies and Mergers Commission.

g) Subject to the outcome of consultations which I shall be undertaking later in the year we should bring to an end the experiment of having seven Post Office union nominees as members of the main Board. The experiment has failed to improve industrial relations in the Post Office and has seriously reduced the effectiveness of the Board. I recognise, however, that we shall need to proceed with care on this point to avoid unnecessarily exacerbating our difficulties with the union, and I must reserve a final decision until my consultations take place at the end of the two year experiment initiated by the last Government.

All these proposals will be warmly welcomed by the Chairman of the Post Office, who regards the Corporation as unmanageable in its present state; indeed he has told me that he would not wish to continue unless action is taken urgently to help management to regain control of the business from the trade unions. I have formed a high regard for the dedication and ability of the

/Chairman. ...



Chairman. He shares our general philosophy and I regard it as vital to keep him at the head of this very large and important industry.

I am very anxious to keep up the momentum for change. Subject to your views, therefore, I should like to make a short Parliamentary statement before the recess announcing my decision to split the Corporation and my intention to enter into consultation with the Post Office, the manufacturing industry, the unions and other interested parties about curtailment of the telecommunications monopoly.

I am sending copies of this minute to the Chancellor of the Exchequer, the Foreign and Commonwealth Secretary, the Home Secretary, the Secretary of State for Employment, the Chancellor of the Duchy, the Secretary of State for Trade and to Sir John Hunt.

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