

PRIME MINISTER

Postal Monopoly

At Flag A is a long minute from the Secretary of State for ^{20.6.80}Industry. In it, he rules out the total abolition of the postal monopoly. His reasons are:

I It would put at risk the continuation of recent improvements in productivity;

II The Post Office would be left having to provide a universal service which would have to be subsidised, while private operators would pick up the more profitable traffic;

III There has been no support for total abolition from those consulted during the recent review.

Instead, Sir Keith proposes:

I To keep the monopoly under continuous review;

II To take powers to make derogations from the monopoly in the event of the postal service ceasing or being severely disrupted as a result of industrial action, or - after due warning - if there is a decline in the quality of service; and

III To remove certain categories of mail immediately from the scope of the monopoly.

He proposes to make a Statement as soon as possible. (*Draft attached to his minute*).

Other Ministers who have commented are the Home Secretary ^{26.6.80} (Flag B) - he is content provided he is consulted before any further derogations are implemented; Mr. Younger (Flag C) who is content;

^{30.6.80}

/ and

2.7.80

and the Chief Secretary (Flag D) who argues that Sir Keith is perhaps not going quite far enough. Mr. Biffen argues in particular that more items of mail should be immediately removed from the scope of the monopoly (the immediate derogations proposed amount to only 2% of postal volume); and that the criteria proposed for triggering future derogations might be tougher - he suggests that derogations should take effect if an agreed productivity programme is not achieved.

It seems to me - and to the Policy Unit - that Sir Keith's proposals ^{and the draft statement} are on the right lines. If you agree, the only question is whether you wish to support the Chief Secretary and press for a slightly tougher line. If so, I could say that you would like Sir Keith to take up his suggestions. Alternatively, we could take a more neutral position and simply say that you hope that Sir Keith will consider the Chief Secretary's points carefully before reaching a final view.

The conditions attached to the derogation are much too narrow. Have made the point to KJ. R.

2 July 1980