

PRIME MINISTER

Sir Keith Joseph has now sent you the attached minute (Flag A) about the troubles in the Post Office. You commented earlier (Flag B) that you were reluctant to agree to the proposed increase in telephone charges at this stage. Sir Keith now says that a major increase cannot be avoided and that the telecommunications business have absorbed a large proportion of their increased costs by "a variety of economies".

He also draws attention to the financial effects of pay settlements on the postal side, which are threatening the Post Office's cash limit for this year.

Finally, he suggests that POUNC should be consulted in confidence about the telecommunications price proposals at once. I have little doubt that any such consultation will result in an early leak. The Cabinet Office (Flag C) suggest that you might tell Sir Keith Joseph that you wonder whether it might not be better to defer putting specific proposals on telephone charges to POUNC until Sir William Barlow's next report early in September. May I reply along the lines suggested in paragraph 2 of the advice from the Cabinet Office?

NJS

① Although some portion of the increased costs are due to billing delays - I see no proposal for monthly payments on account of the kind that can be done for rates or gas bills. I really think we should ask whether such payments can be made now.

14 August 1979

② I agree with para 2 of the Cabinet Office minute.
out.

MR M A PATTISON

c Mr Hilton
Mr Downey
Mr Mountfield O/R
Mr Whybrow

I 02376

THE POST OFFICE

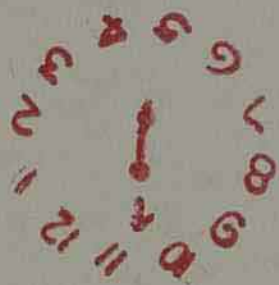
Sir Keith Joseph's minute of 13 August to the Prime Minister sets out the reasons why he thinks telephone and other telecommunication tariff increases are necessary, quite apart from meeting the substantial interest costs of the billing dispute. But as he has asked Sir William Barlow to examine the question of phone charge increases, an obvious possibility that needs to be considered is whether any reference to the Post Office Users National Council (POUNC) is essential before that re-examination has been carried out. The problem, I understand, is this: telex and some other commercial telecommunication charges are planned to be increased from October. Specific proposals on these will not be affected by Sir William's review, but if there is any delay in referring them to POUNC, it will not be possible to implement them at the planned time and revenue will be lost. The telephone charge/^{increases} - which will be the subject of Sir William's review - are intended to be introduced in January, but the Secretary of State for Industry warns that it may be necessary to bring this forward. Clearly POUNC must be given time to consider these proposals (as well as those planned for introduction in October) and there would be advantages in acquainting them from the start with the general financial problems facing the Post Office. It is however open to question whether specific proposals on phone tariffs should be put to POUNC in advance of Sir William's report, especially in view of the risk of the proposals leaking - a risk which Sir Keith himself does not discount.

2. I suggest therefore that the Prime Minister might say in reply to Sir Keith Joseph that she welcomes his action in asking Sir William Barlow urgently to re-examine the question of telephone charges; and that, while she accepts that POUNC should be asked immediately to consider proposals for increases in other telecommunications charges and be told about the general situation of the Post Office, she wonders whether it might not be better to defer making specific proposals on phone charges until Sir William Barlow's review has been considered.

M

N B W THOMPSON

14 August 1979



14 AUG 1979

