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PRIME MINISTER

This letter from Mr. Jenkin's office encloses an opening statement he wishes to make tomorrow when he is before the Select Committee on Social Services.

I know that you agree with his second paragraph, about leaving pensioners the option of weekly payment through a post office.

Do you agree with the first? He is in effect saying we will not change the payments system if this destroys the viability of numbers of sub-postmasters. But the essence of some of Sir Derek's work is to expose unintentional hidden subsidies like that to the post office through the social security system. If there is a cheaper and more efficient way of paying benefits, it might be better to introduce this for those who want it, and consider straight subsidies to needy sub-post offices. Mr. Jenkin's statement seems to rule that out. I think that he should leave the options more open: the last sentence could read:-

"We shall do so on the basis that the House of Commons would be extremely unlikely to agree to any changes that would reduce the income of sub-postmasters below viable levels unless some compensating arrangements were made."

Have amended slightly

I accept that we need the P.O. & that they must have a reasonable income. But that must be not done by the Government to others to have their method paid in another way - 7-4-80

May we tell Mr. Jenkin that you do not wish him to give the impression that the Government remains committed to subsidising rural post offices through the benefit system? (It is the post office who has recently been preaching that it can no longer subsidise Government postal deliveries and British Rail's inefficient delivery performance. It should not be allowed to get away scotfree when the tables are turned.)

11 March 1980

PS I understand that Sir Derek Rayner will be suggesting that Mr. Jenkin needs to set the efficiency issue in context rather better than is done in this draft.

MAD

PRIME MINISTER



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From the Secretary of State for Social Services

Paul Channon Esq MP
Minister of State
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11 March 1980

Dear Minister

As you know, I shall be giving evidence to the Select Committee on Social Services tomorrow afternoon (12 March) about the study of arrangements for paying social security benefits which my Department made with Sir Derek Rayner's help. It is, I am afraid, all too clear that, despite the assurances I gave in the debate on 19 February, and the important further assurance that the Prime Minister gave to pensioners, at Question Time on the 28th, concern about this is still building up in the House and in the country.

I propose, therefore, to open my evidence with a formal statement reiterating these assurances, and I enclose a copy of the draft that I propose to use. I would be grateful if any comments could be telephoned to my office today, or at the latest by 12 noon tomorrow. I am making arrangements to ensure that this statement receives maximum publicity.

I am sending copies of this letter to the Prime Minister, Sir Geoffrey Howe, Sir Keith Joseph, Michael Heseltine, George Younger, Nicholas Edwards, Humphrey Atkins, John Nott, Jim Prior, Angus Maude, Sir Derek Rayner and Sir Robert Armstrong.

Yours sincerely

BC Mervel

(Approved by the Secretary of State and signed in his absence.)

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DRAFT STATEMENT

The Committee have had the summary of the study team's conclusions and I will highlight one or two of the main aspects of the study in a moment. But before I do so, I would like to repeat two very clear assurances of the Government's intentions. The Government are ~~determined~~^{will} to ensure the continuance of the sub-post office network. We fully accept that ~~any change which would threaten that network would be wholly inconsistent with our aim of maintaining local communities and the services on which they depend. We naturally will want to discuss the proposals in the report with the post office and with the representatives of sub-postmasters. (We shall do so on the basis that the House of Commons would be extremely unlikely to agree to any changes that would reduce the income of sub-postmasters except on the basis that additional business is made available to them.)~~ *For this purpose we fully believe that those who make sense must have a reasonable income.*

Second, I take the opportunity to repeat the assurance that the Prime Minister gave you in the House, Madam Chairman, on 28 February. The Prime Minister said, in reply to your question, that, if they wish, retirement pensioners can continue to have their pensions paid weekly through a post office. She added, however, that if others want their pensions paid through a bank at, say, fortnightly intervals or at periods less than quarterly, they too should be able to make that choice.

I hope that these two clear and specific commitments which I give on behalf of the Government will reassure the public whose anxieties have been aroused by the reports they have heard or read.

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