



PRIME MINISTER

TELECOMMUNICATIONS MONOPOLY

My interest in the Secretary of State for Industry's proposals, set out in his minute to you of 1 July, stems from my concern with telephone interception at present carried out by the Post Office on behalf of the police, Customs and Excise and the Security Service and certain electronic surveillance. I fully accept the overriding political and economic case for opening up the telecommunications monopoly to private competition, and I recognise that some degradation in and risk to our intelligence gathering capacity must be accepted; but I am anxious to ensure that the essential features of the system are retained.

From an organisational point of view splitting the Post Office does not present problems; but if BT were to set up privately-funded subsidiaries or regionalise its activities there could be difficulties in maintaining the special services we require and I should be grateful if I could be consulted before any further action is taken in that direction.

As regards the liberalisation of the monopoly, I think that the Secretary of State for Industry's proposals, which have been discussed in detail between our officials, meet most of our essential minimum requirements. It will, however, be necessary for these requirements to be reflected in the wording of the Parliamentary statement and officials are in touch on this.

Otherwise my main concern is for the future. In discussion with the Department of Industry we have reduced our demands to a minimum, accepting a limitation on intelligence-gathering activity and an increased risk. I do not think we can go further without seriously impairing our security needs. I am, therefore, apprehensive about the reference in the Secretary of State for Industry's minute to possible further liberalisation in the future

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and I should like to be consulted before any such steps are considered.

I am sending copies of this minute to the Secretary of State for Industry, the Secretary of State for Foreign and Commonwealth Affairs and the Secretary to the Cabinet only.

Wolfe

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July 1980

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