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PRIME MINISTERSir Keith Joseph's Statement

As I told you, Keith Joseph's Statement on the telecommunications monopoly passed off quietly (copy attached). There was no tension in the air, and the Opposition found it difficult to find an angle to attack from. They finally concluded that the most profitable lines were the risk to British industry from international competition and the effect on the ordinary telephone customer of the presumed reduction in telecommunications profitability.

In answer to these criticisms, Keith Joseph said that British industry would have a period of grace, and that we had no intention of allowing imports to this country from other countries unless they allowed corresponding exports by us; and that there was no prospect that these changes would erode the cash flow of British telecommunications so as to affect the ordinary customer in the way Mr. Silkin and others feared.

The proposals were opposed by the spokesmen for the Post Office Engineering Union (Roger Stott and John Golding). Keith Joseph said that he had had very helpful discussions with the P.O.E.U.. While not associating them with his conclusions, he hoped to have further useful consultations with them.

The general air was much more calm and unexcited than the Statement on the postal monopoly last week. I doubt that there is much that anybody can raise with you tomorrow.

MS

21 July 1980



STATEMENT ON THE TELECOMMUNICATIONS MONOPOLY

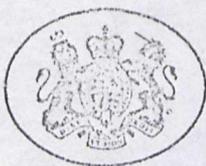
1 The present rapid growth of telecommunications and of information technology provides immense opportunities for the industries connected with telecommunications. Over the coming years the majority of British households will be affected. Whole new industries and sub-industries and many new jobs will be created.

2 These developments have been under way for a longer time in the United States and have gathered more momentum there than here. I am sure that one of the reasons for America's greater success has been the freedom available there to entrepreneurs to develop new services and a wide range of equipment associated with telecommunications. The opportunities and the market are too great to be encompassed by a single organisation, however skilled and however great its resources.

3 For these reasons I announced last September that the Government would be reviewing British Telecommunications' present monopolies over the supply of terminal equipment attached to the telecommunications network and over the provision of services to third parties using British Telecommunications circuits. Following widespread consultation with interested parties, the Government have reached the following conclusions.

4 First, we are going to make it very much easier for equipment supplied by the private sector, including all Private Branch Exchanges, to be attached to the network. Subject to a transitional period of about three years, there will be freedom to attach and maintain independently approved equipment which meets the necessary technical standards. The only exceptions will be the supply, installation and maintenance of the first telephone and associated wiring connected directly to the main network, and the maintenance of private branch exchanges and

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associated wiring, for which British Telecommunications will remain responsible. This substantial change will give the business and domestic customer a wider range of equipment from which to choose and should remove many of the bottlenecks resulting from the Post Office's present exclusive privilege of supplying such equipment.

5 Secondly, we are going to allow people more freedom to use British telecommunications' circuits to offer services to third parties which are not currently provided by British Telecommunications, for example in the data processing field. I expect this change to lead to a significant growth in information, data transmission, educational and entertainment services provided over telephone circuits and to the emergence of new businesses. I have also decided to commission an independent economic assessment of the implications of allowing complete liberalisation for what are commonly referred to as value added network services.

6 Thirdly, I am exploring the scope for allowing the private sector to provide telecommunications transmission services such as satellite business systems.

7 Legislation will be introduced next session which will make provision for relaxing the monopoly. British Telecommunications will be free to compete with the private sector but to ensure fair competition the Government intends to take powers to require it, where appropriate, to create a separately accounting subsidiary or subsidiaries where it is in competition with the private sector. We shall welcome partnerships with private capital in these subsidiaries.

8 I hope that the first fruits of these changes will be manifest within a year or so from now and that they can be fully phased in over the next three years. I look forward to seeing at an



early stage approved extension telephones on sale in the shops, as well as greater competition in the installation and wiring of currently approved apparatus on business premises. The changes will bring new opportunities and challenges both for British Telecommunications and the telecommunications industry and I hope both will respond positively to this greater freedom. They will have the opportunity to expand their range of products to compete successfully both at home and in world markets, and I look forward to the associated development of new enterprises and industries.

9 I have today placed in the Libraries of both Houses a memorandum giving fuller details of these proposed changes.