

Prime Minister

Will discuss in private industry strengthened financial circumstances require change. There is no possibility of increased prices for them.

We could use the occasion of these increases to set up a study to look at the changes in paragraph 2 below and, indeed, others too; but I doubt whether we can use the possibility of long-term changes to hold up increases which are unavoidable because of the postal service's unenviable financial position.

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Qa 05154

To: MR LANKESTER

From: J R IBBS

If you agree, the question remains as in Tim's note today. Do the increases 2p/2p or 2p/1p now with a possible further increase in mid-1987? There is disagreement between the Chancellor and Sir Keith Joseph. Would you like to discuss the matter with them next week (Sir Keith is not now coming in on Saturday)?

We should use the occasion to demand the requisite change. We cannot just put the burden on the public.

Postal Tariff Increases

1. The minute of 15 October from the Secretary of State for Industry to the Prime Minister explains why so little can be done to reduce costs and that increases of 2p. for both first and second class mail are necessary to meet the financial objectives (though even these may not be sufficient). The view of the CPRS is that concentrating on short term financial considerations can, paradoxically, have the effect of ruling out radical solutions which could yield longer term benefits. In this example, it has been assumed that there should be no change in the postal service offered to the public. The CPRS questions this assumption.

- 2. Three possible changes come to mind:
 - (a) the second delivery service could be abandoned and this, in the course of about 18 months, should save costs of around £50 million per annum;
 - (b) garden gate boxes could be introduced, if not universally, then at least in those cases where significant delivery time would be saved (one estimate is that this would save £15 million per annum though it would be very much more if the Post Office did not pay for the boxes);
 - (c) the productivity deal now being negotiated is not at all impressive: we should expect a faster rate of change in removing restrictive working practices (greater use of part-time staff, tightening on hours actually worked, etc.).

3. The CPRS recognises the desire to introduce changes in a steady manner with the objective of improving the quality of service and that precipitous changes could prejudice industrial relations and might also require legislation.



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However, in a period of such severe financial constraint, economy of service might well be preferable to improved quality. Also, at a time when the private sector is under market pressures to face radical changes in working practices to increase productivity, other changes to reduce costs are recognised as necessary by the public. Changes in the standard of service although not welcomed may be more acceptable at this time, and in order not to miss this opportunity there may be a case for moving more quickly than would normally seem desirable.

4. I am sending a copy of this minute to Sir Robert Armstrong.

17 October 1980