



DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301  
SWITCHBOARD 01-212 7676

*Secretary of State for Industry*

Nick Sanders Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW1

14 April 1981

cc Mr Ingham

return to MS pl

Dear Nick *MS*

TELECOMMUNICATIONS: LIBERALISATION

Because of pressures on tomorrow's Parliamentary timetable the Chancellor of the Duchy asked my Secretary of State if it would be possible for him to shorten the statement circulated under cover of my letter to you of 13 April.

In the light of the Chancellor of the Duchy's request, my Secretary of State now proposes to make the attached statement tomorrow.

I am copying this letter and the attachment to recipients of earlier drafts of the statement.

Yours ever  
Richard

RICHARD RILEY  
Private Secretary





With permission, Mr Speaker, I wish to make a statement about liberalisation of telecommunications in the United Kingdom.

2 On 21 July last year, I outlined to the House new competitive arrangements covering apparatus attached to the telecommunications network. Independent standard making and certification bodies are now at work on rules which will replace British Telecommunications' monopoly over approvals of apparatus. Both BT and the private sector are making arrangements to supply apparatus in competition.

3 Today, I am publishing an economic survey by Professor Beesley which reaches radical conclusions about network services. Copies have been placed in the Libraries of both Houses. Professor Beesley recommends full freedom for private sector suppliers to use the national network to provide telecommunications services to third parties. He envisages BT setting an open and uniform price for all users of its network irrespective of whether the users re-sell any of the capacity they lease. Professor Beesley recommends that private companies should be able to lease circuits - parts of the network - from BT and sell to the public telecommunications services carried on those circuits.

4 Professor Beesley points out that data and voice communication technologies are rapidly converging, making the existing BT monopoly arbitrary and constricting. He argues that, if private firms were free to use the network, this would bring





about innovation and substantial consumer benefits. BT would lose some revenue to its competitors but much of this should be offset by increases in traffic as the private sector provided more services using the BT network. BT would be free to compete subject to safeguards of fair competition.

5 If Professor Beesley's recommendation were adopted, I would expect BT to be spurred to provide an even better service. New profitable enterprises and new jobs would be generated as both BT and new entrants stretched themselves to capture new, and in many cases as yet unknown, markets.

6 Professor Beesley's report marks a clean break from previous approaches. Implementation of his recommendation would transform the UK market for telecommunications.

7 The Government is attracted by the free market, please-the-customer, arrangements recommended by Professor Beesley. The implications are, however, far reaching and I am inviting views over the next two months before coming to detailed decisions in July. I hope BT will participate in working out the implications and details of what is recommended.

8 Although outside his terms of reference, Professor Beesley has also considered the implications of possible liberalisation of use of BT's international circuits and of possible competition for the main BT network within the UK. The free use of international circuits raises complexities and I am inviting BT to





comment. I indicated in my statement of 21 July that I intended to explore the scope for allowing the provision of additional transmission services. A number of organisations have been investigating the market possibilities and I will make a further statement on this subject as soon as possible.

9 In discussing the implications of network liberalisation, Professor Beesley stresses the need for removal of constraints on BT's capital investment. Mr Speaker, the Government recognises the importance of a modern telecommunications infrastructure to the development of the whole economy and, within the inevitable constraints imposed by the need to control public expenditure and the PSBR, I am discussing with BT the possibility of increasing the amount of external finance available to safeguard BT's vital investment programme.

10 The opportunities for both BT and others over the whole field of telecommunications equipment and services are immense. The quicker BT and its competitors respond by expanding their range of products, systems and services the better.



14 APR 1968

1212  
1212  
1212  
1212  
1212  
1212  
1212  
1212  
1212  
1212





CONFIDENTIAL

DEPARTMENT OF INDUSTRY  
 ASHDOWN HOUSE  
 123 VICTORIA STREET  
 LONDON SW1E 6RB  
 TELEPHONE DIRECT LINE 01-212 3301  
 SWITCHBOARD 01-212 7676

PA

MS

PS/ Secretary of State for Industry

cc Press office  
 + return to MS please

13 April 1981

N J Sanders Esq  
 Private Secretary  
 10 Downing Street  
 London SW1

Dear Nick

## TELECOMMUNICATIONS: LIBERALISATION

My Secretary of State has seen John Halliday's letter of 7 April about the proposed statement on Professor Beesley's Report.

... In the light of the views expressed by the Home Secretary, and following discussions between officials, my Secretary of State has prepared the attached revised statement which he understands will be acceptable to the Home Secretary. This allows for collective Ministerial consideration of the aspects of the Report which are of particular concern to the Home Secretary before the Government makes any substantive comment on them.

My Secretary of State now proposes to make this statement on 15 April.

I am sending copies of this letter to John Halliday and the recipients of his letter of 7 April.

Yours ever  
 Richard.

CONFIDENTIAL





With permission, Mr Speaker, I wish to make a statement about the Government's policy on moving towards greater freedom in the telecommunications market in the United Kingdom.

2 On 21 July last year, I explained to the House the framework for new competitive arrangements covering apparatus attached to the British telecommunications network. Since then we have made good progress. Independent standard making and certification bodies are now at work on rules which will replace the present monopoly over approvals of apparatus enjoyed by British Telecommunications (BT). Both BT and suppliers are gearing themselves for the competitive era.

3 Today, I am publishing the report which I commissioned from Professor Beesley on the subject of network services. I have arranged for copies to be placed in the Libraries of both Houses.

4 Professor Beesley has completed an economic survey of the impact of complete freedom of network use. His conclusions are radical. He recommends full freedom for private sector suppliers to use the national network to provide telephone and telecommunications services to third parties. He envisages BT setting an open and uniform price for all users of its network irrespective of whether the users resell any of the capacity they lease. This means that private companies, in Professor Beesley's view, should





be able to lease circuits - parts of the network - from BT and sell to the public telecommunications services carried on those circuits.

5 Professor Beesley bases these radical suggestions on the premise that data and voice communication technologies are rapidly converging, making the boundary of the existing BT monopoly arbitrary and constricting. He argues that, if private firms were free to use the network in innovative ways, this would bring substantial consumer and user benefits which would outweigh his projection of the possible maximum loss - some 2% of turnover - of net revenue by BT which would result from the reduction in its monopoly. One reason for this small effect is that any loss of revenue should be offset to some extent by increases in traffic as more and more services are provided by the private sector. BT would be free to compete subject to minimum safeguards to ensure fair competition.

6 If Professor Beesley's recommendation were to be adopted, I am confident that BT would be spurred to provide an even better service. I also envisage new profitable enterprises and new jobs being generated as both BT and new entrants stretch themselves to capture a share in new, and in many cases as yet unknown, markets.

7 Professor Beesley's report marks a clean break from previous approaches. Implementation of his recommendation would transform the UK market for telecommunications.





8 The Government is attracted by the free market, please-the-customer, regime recommended by Professor Beesley. It would promote the UK as a leading world communications centre. The implications are, however, far reaching and I propose to invite views over the next two months before coming to detailed decisions in July. I will be inviting BT to participate in working out the implications and details of what is recommended.

9 In the course of his report, although outside his terms of reference, Professor Beesley also briefly considers the implications for his main findings of the possible liberalisation of use of BT's international circuits and of the possible introduction of competition to the main BT network within the UK. His suggestions on these subjects are being considered.

10 As Professor Beesley himself recognises, in the case of the use of international circuits the international dimension raises additional complexities. I am inviting BT to make their comments to me.

11 On the provision of additional transmission services, the House will recall that I indicated in my statement of 21 July that I intended to explore the scope for allowing the private sector to provide such services. I am aware that a number of organisations have been investigating the market possibilities and I will make a further statement on this subject as soon as possible.





12 Finally, in discussing the implications of network liberalisation, Professor Beesley stresses the need for removal of constraints on BT's capital investment. Mr Speaker, the Government recognises the importance of a modern telecommunications infrastructure to the development of the whole economy and, within the inevitable constraints imposed by the need to control public expenditure and the PSBR, I am discussing with BT the possibility of increasing the amount of external finance available.

13 The opportunities for both BT and new market entrants over the whole field of telecommunication equipment and services are immense. The quicker we seize these opportunities and expand our range of products, systems and services at home the better for us as users and as providers both in the domestic and in the highly competitive but ever expanding world communication market.



14 APR 1981

