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Prime Minister 14

RWH

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Copy No 2 of 5 copies

MT

Home Secretary

LIBERALISATION OF THE TELECOMMUNICATIONS MONOPOLY

Thank you for your minute of 11 June.

2 I share fully your concern to protect your security interests. What you suggest on value added network services (VANS) and mini networks is very helpful and I am grateful for the understanding way in which you have approached these issues. In particular, substantial liberalisation of VANS has been an essential part of our programme for telecommunications from the outset and it was clearly foreshadowed in the statement which, with colleagues' agreement, I made to Parliament last July.

3 That statement also indicated that we as a Government would be exploring the scope for licensing alternative network facilities, including satellite business systems. You will recall that we have all been greatly concerned about the ability of the telecommunications unions to extort excessive pay settlements through exploiting their grip on essential communication services and their ability to inflict serious damage on the whole business community. By encouraging private sector interests to provide an alternative service at least to the main business centres, independent of British Telecommunications, we may be able to loosen this grip on the national jugular, whilst at the same time securing improved efficiency, a release of high technology enterprise and attracting international business to this country.

4 So far the response to my statement has been encouraging. A consortium, in which Cable and Wireless, British Petroleum and Barclays Merchant Bank are taking the lead, have prepared imaginative plans for a new network. They have conducted a market survey in the City which showed that 98% of those approached supported the proposal for an alternative network to reduce their vulnerability to disruption.

5 I therefore believe that from a number of points of view it would be strongly in the national interest to allow the consortium to implement their proposals. If this were done, there would be no need for the foreseeable future to consider licensing more than this one additional network. But if we had to reject the consortium's proposals, without any convincing reason which we could make public, there would be a widespread feeling that the monopoly power of the unions had been reinforced and we might indeed be seen as having altered our policy stance in response to union pressures.

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6

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7 I am sending copies of this minute to the Prime Minister, the Foreign and Commonwealth Secretary and to Sir Robert Armstrong.

K J  
18 June 1981

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DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3BB

The Rt Hon Sir Keith Joseph Bt MP  
House of Commons  
LONDON  
SW1

9 June 1981

Prime Minister 4

You may be interested  
to see this.

WJ  
10/6

*WJ*  
*Dear Keith.*

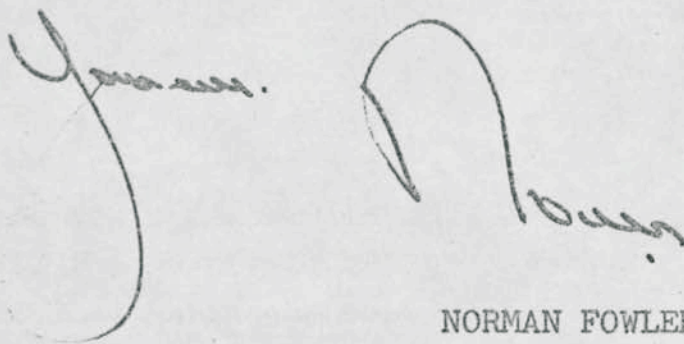
#### TELECOMMUNICATIONS LIBERALISATION

When you made your recent statement on the Beesley report, you said that you would be considering Professor Beesley's recommendation that the private sector should be allowed to provide additional transmission services in competition with British Telecoms, and that you hoped to make a further statement as soon as possible.

I recognise that there are some difficult questions which need to be considered before we can decide whether to license a private sector telecommunications network, but I hope that this in the end will prove feasible. I thought that it would be useful at this stage to register with you the interest of the British Railways Board in this issue. The Board has a national network of wayleaves along which a competing system could be laid and could also provide city centre sites for the location of microwave transmitters. If the Board can utilise these facilities, this will both provide them with an income and reduce the need for reinvestment in their own telecommunications network. They are accordingly currently negotiating with the consortium formed by Cable & Wireless, of which you are aware.



There may, of course, be questions about one nationalised industry competing against another, but I do not see this as a difficulty since the Board may simply take a rental from the consortium and, even if they become equity participants, would hold no more than a minor stake. Since the consortium would be predominantly private sector, there would be no question of an extension of the public sector. I welcome this initiative by the Railways Board and I hope that it will eventually be possible to establish a network using their facilities.

A handwritten signature in dark ink, appearing to read 'Norman Fowler', written in a cursive style. The signature is positioned to the left of the printed name.

NORMAN FOWLER