



PRIME MINISTER

TELEPHONE RENTAL CHARGES AND PENSIONERS

Will leave further
consideration to the
review of options.

I would think a
reduced standing charge
and shorter time
would be quite popular.

Prime Minister
Mr Jenkin agrees to review
this problem with BT, but
still remains of the view that
it would be better to give direct
assistance to pensioners, if assistance
is needed, rather than to alter
BT's pricing structure.

LM
27/4

Your Private Secretary's further letter on this subject of 8
April asked for a more detailed justification of my position and
also for certain further facts.

2 The facts you sought are these:

- 1) There are about 18½ million subscribers each of whom
pay at a minimum a rental of £54 net of VAT.
- 2) The income from subscribers' calls is about £2,500m per
annum which would have to be £185m - 7½% - greater to
recoup the amount foregone if rentals were reduced by
an amount of £10 net of VAT.
- 3) The amount involved could be found through an increase
in present unit charge of 4.3p of a little under 0.4p
(again net of VAT).
- 4) The probability is that BT would in fact seek to raise
the extra revenue mainly from reductions in the amount
of local call time bought for each unit rather than
through an increase in the charge per unit. Such
reductions would have to be of the order of 20%,



2.

reducing the time per unit for peak, standard and cheap rate calls from 90 seconds, 2 minutes and 8 minutes to say 75 seconds, 1 minute 40 seconds and 6 minutes.

This might be not unreasonable for residential customers who would be enjoying the lower rental but it would hit hard the local business community who felt very ill done by last year when the periods bought per unit were sharply reduced.

3 These are the facts and it is arguable that if we want to do something special for the pensioners we should deal directly with them by means of a telephone voucher or something similar. I shall, however, be having a strategic review of policy options with BT in the next month or so and will certainly review tariff policy options with them then, including the possibility of doing something more sensitive for social reasons. But we should recognise that the detailed structure of tariffs must be for BT, particularly in view of the substantial changes in tariff structure which are taking place already and which arise from the pressures which liberalisation and the introduction of competition are imposing on BT to cut down cross-subsidisation between different services. These pressures will tend to result in a higher proportion of BT's income deriving from domestic users in the future.



3.

4 The best hope for the pensioners as for the community at large is for lower charges for communications generally and this objective is very firmly in our mind.

5 I am copying this minute as before.

for *MB*
P J

26 April 1982

Department of Industry
Ashdown House
123 Victoria Street

27 APR 1982

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10 DOWNING STREET

From the Private Secretary

28 April 1982

~~BF 12-5-82~~

TELEPHONE RENTAL CHARGES AND PENSIONERS

The Prime Minister has seen your Secretary of State's minute of 26 April. She is content with your Secretary of State's proposal that he should review tariff policy options with BT during the strategic review of policy options that he will be holding with them in the next month or so. She would be grateful if you would let her have a report on this strategic review. She has commented that she still considers that a reduced standing charge, coupled with reductions in the amount of local call time bought for each unit, would be a popular measure.

I am copying this letter to John Kerr (HM Treasury), Brendan O'Gorman (Department of Health and Social Security) and Julian West (Department of Energy).

W. F. S. RICKETT

Richard Riley, Esq.,
Department of Industry.

RM