



Secretary of State for Industry

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DEPARTMENT OF INDUSTRY

ASHDOWN HOUSE

123 VICTORIA STREET

LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301

SWITCHBOARD 01-212 7676

12 May 1983

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

Prime Minister

No BT tariff

increase before

Polling Day.

MUS 12/5

Dear Geoffrey,

BT TARIFFS

Sir George Jefferson wrote to me on 6 May to propose certain changes to BT tariffs, to be announced and communicated to POUNC in late May with a view to implementation on 1 September. He explained that this would be the first increase in BT tariffs since November 1981 and that the proposed changes amounted to about 3% on average (with just over 2% on business bills and just over 4% on residential bills). The main features were an increase of £1 to £14.50 for residential rentals, an increase in the unit charge from 4.3p to 4.5p, some increase in the time allowed for each unit on trunk and international calls, an increase in the coverage of BT's low user rental rebate scheme (so that 3 million instead of 2 million will benefit), no change in the basic public call box charge and no charges for Directory Enquiries.

will request if required

2 Kenneth Baker, John Butcher, John Wakeham and I met the BT Board on the morning of Monday, 9 May to discuss their Corporate Plan, and had an opportunity to discuss the BT tariff proposals in general terms. We told the Board that with the election imminent we would not be able to find the time to look at the BT proposals, both as to composition and timing, with the care and attention they deserve. Following our meeting Sir George Jefferson has written to say that in the light of our views he would be prepared to delay the submission of the tariff proposals to POUNC, and the consequential publication of them, until the middle of June.

3 I should add that Sir George Jefferson has pointed out in his latest letter that deferment of the implementation of the proposals by one month would make it more difficult for BT to



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meet their EFL for the current year of -£108m and to meet their financial target of 6.5%. I propose to tell him that we would like him to let the incoming Secretary of State for Industry have his proposals immediately on appointment, and that we would expect BT to strive to find the internal resources to make up for any deferment in implementation of the tariff package from further cost savings.

4 I am sending a copy of this letter to the Prime Minister, Sir Robert Armstrong and John Sparrow.

Your ever
Kate

12 MAY 1985

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