

JH 811



PRIME MINISTER

MERCURY

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(4)

Prime MinisterAgree, subject tocolleagues, for Mrsstatement to be issued
after the weekend?

MCS 6/6

Yes

You will recall that it was agreed at the meeting you held on 26 April that Sir Michael Edwardes should be asked informally not to press for interconnection with BT until after the General Election and that the statement on Mercury's international services, which had been envisaged for end-April, should also be delayed.

2 Kenneth Baker has since held two meetings with Sir Michael, who has agreed not to press for interconnection until 20 June. However, he has emphasised strongly the need to move very quickly after the Election on both interconnection and on Mercury's international role if the company is to have the credibility it needs to continue building up its order book and to justify the scale of investment underway. It will be for Mercury to pursue the matter of interconnection directly with BT, though we must give them our full support. However, the company need an early statement by Government about their international status if they are to be in a position to sign contracts with US carriers with whom they are apparently close to agreement.

3 At present Mercury has an agreement on international services with BT whereby it can provide its customers only with private



leased lines as an agent for BT. However, leased lines traffic is small and would not by itself yield an adequate return on the company's planned investment in international facilities (eg an earth station in Docklands). Mercury therefore needs the freedom to provide switched circuits on a normal public service basis to serve the needs of its customers. Moreover, because Mercury's domestic network will take time to build up to national coverage, it will want to use BT's network for the distribution of incoming calls. Mercury also sees a need for access on a commercial basis to transatlantic cables owned or planned by international carrier consortia in which BT is the current UK participant.

4 I have also consulted Sir George Jefferson. BT management are more strongly opposed to international liberalisation than any of the actions we have taken hitherto and have produced a number of economic, industrial and practical arguments to support their case, although these are not wholly convincing. We must also expect strong opposition from the POEU. However, our policy is to open up the telecommunications market to competition wherever possible and I am clear that we must now give Mercury the chance to compete fully in international services.

5 It is not, of course, our intention to favour Mercury at BT's expense. It will be for Mercury to negotiate the necessary agreement with overseas carriers on a normal commercial basis. We shall only intervene overseas where it is necessary for us to explain our policy and Mercury's role. Similarly, Mercury will



need to have commercial negotiations with BT on interconnect arrangements and access to international cables, though here we shall need to be vigilant that BT does not adopt an obstructive attitude with the aim of preventing Mercury from realising its legitimate commercial aspirations.

6 In the immediate future, Mercury requires only a brief public statement on the lines of the draft attached. This will give them the authority needed to conclude agreements with willing US carriers and to talk to European PTTs. But in substance it does not go very much further than Kenneth Baker's statement of 7 February.

7 I appreciate the difficulties of considering a matter of this sort at the present time. However, I hope that you and colleagues will agree to the issue of this statement as soon as possible after 9 June. Apart from Mercury's need for it, there would be tactical advantage in moving soon after the Election.

8 If this is agreed, Sir George Jefferson will need to be informed of our decision and consulted on the statement before it is issued. It would also be advisable to talk to the POEU after the Election.

9 I am sending copies of this note to members of E(TP).


PJ.

P J

6 June 1983

DRAFT STATEMENT

In Kenneth Baker's statement to the House on 7 February on the 1988
Littlechild Report, he said that the Government accepted that
the current restrictions on Mercury's supply of international
services should be eased. Since then we have held further
discussions with both Mercury and British Telecom. In the
light of these discussions the Government has decided that
Mercury should have freedom to provide the full range of
international services independently from British Telecom.
It will be for Mercury to negotiate links with overseas
operators on a normal commercial basis. In this connection,
we have advised the International Telecommunication Union that
Mercury has been accorded the status of a Recognised Private
Operating Agency.



Post & Telecom : Pay in Post Office
April 1960

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6 JUN 1960

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In March 1959 the Government decided to...
...the current restrictions on Mercury's...
...services should be ended. Since then we have held further...
...discussions with both Mercury and British Telecom. In the...
...light of these discussions the Government has decided that...
...Mercury should have freedom to provide the full range of...
...international services in conformity with British Telecom...
...It will be for Mercury to negotiate links with overseas...
...operators on a normal commercial basis. In this connection...
...we have advised the International Telecommunication Union that...
...Mercury has been awarded the status of a full-fledged private...
...Operating Agency.

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JD



10 DOWNING STREET

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From the Private Secretary

13 June 1983

MERCURY

Mr. Jenkin minuted the Prime Minister on 6 June, proposing that the Government should announce its decision that Mercury should have freedom to provide the full range of international services independently from British Telecom.

The Prime Minister saw this minute over the weekend, and the draft statement attached thereto. She has agreed, subject to the views of her colleagues, for this statement to be issued after the weekend.

I am sending a copy of this letter to the Private Secretaries to other members of E(TP) and to Sir Robert Armstrong.

M. C. SCHOLAR

Jonathan Spencer, Esq.,
Department of Trade and Industry.

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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

Legend
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NBPM

15 June 1983

The Rt. Hon. Cecil Parkinson MP
Secretary of State for Industry and Trade

John Cow

MERCURY

I have seen Patrick Jenkin's minute of 6 June to the Prime Minister. I agree with the proposal to make an early announcement that Mercury should be free to provide the full range of international services independently from British Telecom; and I would be entirely content with a statement on the lines of the draft attached to Patrick's letter.

I am sending a copy of this letter to the Prime Minister, to other members of E(TP) and to Sir Robert Armstrong.

NIGEL LAWSON

*John
Nigel*

Post office,
Picture of
Post office Pt 7

17 JUN 1983



B. R.

o/r

CONFIDENTIAL

cc Mr. Owen

CF/ pps pl (in box ?)
MCS 9/6

MR. SCHOLAR

MERCURY

Patrick Jenkin's memorandum of 6 June is, in my view, entirely right. International Telecommunications are the most rapidly growing sector of telecom services generally. And there are many opportunities for competition and innovation. A number of American companies engaged in a full range of international services are growing rapidly.

There will be some considerable problems, as is recognised in para 5. BT will have to be told that they must give normal interconnect arrangements and access to cables. But I don't think that needs to go into the draft statement.

ALAN WALTERS
8 June 1983

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PRIME MINISTER

MERCURY

I entirely agree with Patrick Jenkin's proposal in his minute to you of 6 June that an early statement should be made on Mercury's access to international services. The logical case for allowing Mercury such access seems to me indisputable: it makes no sense to deny international telecommunications users the benefits of competition which we are rightly keen that internal users should enjoy. Given the very strong presence which BT will continue to exert in the market, it is important to take every opportunity available to increase competition. I need hardly add that any improvement in the quality or reduction in the cost of international communications can only be of assistance to our exporters.

I appreciate that there is still the tactical question of when the announcement should be made, bearing in mind the vigorous reaction which BT as well as the POEU have been threatening. However, this opposition will have to be faced sooner or later, and there are surely positive advantages in facing it immediately after the Election, quite apart from Mercury's commercial need to have the position clarified as soon as possible.

Copies go to members of E(TP).

A.C.

LORD COCKFIELD

DEPARTMENT OF TRADE
1 Victoria Street

9 JUNE 1983



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