

file



855  
Post + Telegram

10 DOWNING STREET

*From the Principal Private Secretary*

SIR ROBERT ARMSTRONG

Thank you for your minute of 23 June covering a copy of a note which Lord Weinstock has sent to the Secretary of State for Trade and Industry outlining alternative proposals for the privatisation of British Telecommunications. I have shown this to the Prime Minister, who has noted it.

This matter was mentioned by the Secretary of State for Trade and Industry to the Prime Minister on Friday, before she had seen Lord Weinstock's note. The Prime Minister and Mr. Parkinson agreed that it would introduce an unacceptable delay into the privatisation of British Telecommunications if a change of course were to be adopted now: it would, however, be consistent with the present legislation to produce separate accounts for the various regions of British Telecommunications, which could provide a basis for comparison and a measure of competition.

E. E. R. BUTLER

27 June 1983

MR

010

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Prime Minister

Mr. Parkinson mentioned  
this to you this morning.

Ref. A083/1807

MR BUTLER

FERS  
23.6.

Lord Weinstock has sent me a copy of a note which he has sent to the Secretary of State for Trade and Industry outlining alternative proposals for the privatisation of British Telecommunications, which seem to Lord Weinstock preferable to the provisions of the Bill introduced in the last Parliament.

2. The Prime Minister may like to glance at --- the note, a copy of which I attach.

ROBERT ARMSTRONG

23 June 1983

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*To double*

CABINET OFFICE	
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21 JUN 1983	
FILING INSTRUCTIONS	
FILE No.	_____

S. R. Angus

20th June, 1983

Further to our brief discussion on the telephone on Thursday, I enclose a note with some alternative proposals in concise form for the privatisation of British Telecommunications, which seem to us very much preferable to the provisions of the Bill at the end of the last Parliament.

Lord Weinstock

The Rt. Hon. Cecil Parkinson, MP.,  
Ashdown House,  
123, Victoria Street,  
LONDON, S.W.1.

Enc.

## TELECOMMUNICATIONS ACT 1983/84

The two principal objectives of this Act appear to be (a) to take BT financing out of the PSBR, and (b) to promote competition in the supply of telecommunications services to users.

The Telecommunications Bill 1983 would have achieved the first of these aims, although almost certainly with some delay because the sheer size of BT makes it indigestible to the market as a single morsel.

Increased competition would not have been achieved by the creation of a de facto private monopoly in the place of a public monopoly, and would undoubtedly have been that much more difficult to handle; such detail of the proposed licence as has been made public does nothing to allay the apprehension to which this state of affairs gives rise.

It is, however, possible to achieve both the stated objectives under the following proposals without the dangers inherent in the old Bill:-

- (1) the main network, up to the connection point in a subscriber's premises, is retained as an entity under the management of British Telecommunications. This national network would be obviously self-financing and not a drag on the PSBR. It could be retained in public ownership, or sold off in due course, as you choose;

/.....

(ii) Mercury continues its development as currently envisaged, with full inter-connect facilities to the BT network. This ensures as much competition as is practicable in the provision of network services,

(iii) the rest of the BT business is sold to bidders, or placed through the market, as a single lot or in separate parts, largely comprising British Telecom Enterprises and BT's Area Sales outlets, which would need restructuring, this is in any case necessary to prevent anti-competitive cross-subsidisation (not necessarily only financial) by BT.

This is the part of the business with which users most commonly deal. It would be completely privatised, and in demonstrably fair and open competition with other companies offering equipment and services,

(iv) BT maintains public call boxes, rural and emergency services; this presents no great difficulty,

(v) BT is prevented by the terms of its licence from providing subscriber's equipment,

which eliminates the very real danger under the proposals of the old Bill that BT will naturally achieve an increasingly strong monopoly position.