



✓ M. Duggan
PRIME MINISTER

POSTAL MONOPOLY

- 1 You will recall that on 2 July 1979, I told the House that unless co-operation to improve the quality of the postal service was manifest it would be necessary to review the Post Office's monopoly for the carriage of letters, and that I would be calling for reports on possible modifications to the monopoly, their practicability and implications, by the end of that year.

- 2 I have received a report from the Chairman of the Post Office and a report from officials in the Department, who consulted widely with persons and organisations throughout the United Kingdom with an interest in the postal services. In addition the Monopolies and Mergers Commission has reported on the Inner London Letter Post. The Chairman of the Post Office, in his letter to me covering the Post Office's report on the monopoly, requested that the Post Office should be given time to put its house in order through the two year postal action plan, and that in the meantime no derogations from the monopoly be made.

- 3 One of the main reasons for reviewing the postal monopoly was the widespread dissatisfaction about the quality of service being offered to the customer. During the review I have received figures each month on the quality of service. It is encouraging that for the last two months for which figures are
/available ...



available, March and April of this year, the quality of service was very much better than it was in the worst days of last summer, and better than in the previous few months. I understand that this improvement has continued into May, although official figures are not yet available, and the quality of service is now close to the Post Office's own targets. There are, moreover, other encouraging signs in that the Union of Communications Workers (formerly the Union of Post Office Workers) has now agreed to enter into discussions at local level on measures to increase productivity and to eliminate restrictive practices. It is too early to say what the outcome of these discussions will be, but I think the position is more hopeful than it has been for some time. The reasons for this improvement have, I believe, included the reference to the Monopolies and Mergers Commission and our decision to review the Post Office monopoly.

- 4 I considered the possibility of taking the simplest course, which would be to abolish the monopoly entirely, and to let anyone who wished carry the mail. I do not propose to adopt this course, partly because of the wish not to put at risk the consolidation of, and further progress on, the improvements referred to in the previous paragraph, and partly because, even were the monopoly completely abolished, it is evident from our consultations that the Post Office would still be needed to carry the bulk of the country's mail, particularly person-to-person communications. Some private operators might establish themselves, but they would naturally only be prepared to carry the more profitable traffic, leaving the



Post Office to provide a universal postal service which might well have to be subsidised. Moreover, those consulted during the review, including a wide range of postal users, gave virtually no support for any substantial derogation from the monopoly. The general view was that the first priority should be for the Post Office to put its own house in order. The report of the Monopolies and Mergers Commission, which dealt with the area of the country where postal productivity was at its lowest, did not see extensive derogations from the monopoly as a solution.

- 5 It is possible that, once the market became open to all, services would evolve that would more and more effectively compete with the Post Office, but there is little evidence that this would happen fast enough or widely enough to make the risk worthwhile.
- 6 A more fruitful approach, which would be more acceptable particularly to large users of the postal service and to those in the more remote and rural areas of the country, would be to keep the monopoly under continuous review and to take powers to make derogations, thus demonstrating publicly that we regard the Post Office monopoly as a privilege and not as a right. I believe that the continuing knowledge that the monopoly was under review will enable the Post Office management to build on the advances already made and will help stimulate greater efficiency. I therefore intend to take powers to make derogations from the monopoly, both nationally and in local areas. I have it in mind to use these powers should the service cease, or



be severely disrupted, as a result of industrial action in the Post Office. I would also propose to make derogations, after due warning, when there was a decline in the quality of service in any particular area, large or small, attributable to circumstances within the Post Office's control. The Post Office would retain the monopoly for services into and out of the named area. It is important that the threat of derogations should be credible. I believe that it would be possible to organise a credible alternative service in the numbered postal districts in London.

7 There are also several categories of mail which both the Department and the Monopolies and Mergers Commission have shown to be suitable candidates for immediate removal from the scope of the monopoly. Details are set out in the attached draft announcement. I also intend to clarify the definition of a letter, since the absence of a clear legal definition has given rise to much uncertainty on the part of those both wishing to provide, and use, services at the margins of the Post Office's exclusive privilege.

8 I considered whether I should require private operators to obtain licences to carry mail. This might help to protect the customer and would compensate the Post Office through the licence fee for the loss of revenue from the traffic taken by competitors. However, except in the case of bulk transfer of letters between



document exchanges I have decided against licensing. Where the customer has the option of using the Post Office, I think it reasonable to expect him to bear the risk if he chooses a private alternative. Moreover, a system of specific licences would inevitably bring with it the need for policing, with all the attendant increase in bureaucracy and need for additional manpower. I propose that bulk transfer between document exchanges should be permitted under a general licence which would lay down conditions intended to prevent abuses. I would not, however, propose to introduce even a general licence for private carriers entering the express courier field although I intend to require such firms to register with my Department so that I will be aware of the extent to which private operators have entered the market.

- 9 Subject to your agreement and that of those to whom I am copying this minute, I would intend to make a statement in terms of the attached Annex as soon as possible, and certainly before the middle of July.
- 10 I am copying this minute to Cabinet colleagues, to the Minister of Transport and Sir Robert Armstrong.

KJ

K J

20 June 1980

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DRAFT ANNOUNCEMENT ON THE POSTAL MONOPOLY

With permission, Mr Speaker, I should like to make a statement about the postal monopoly.

The House will recall that on 2 July 1979 I stated that if co-operation to improve postal services were not manifest it would be necessary to review the Post Office's monopoly for the carriage of letters, and that I would be calling for reports of possible modifications to that monopoly, their practicability and implications, by the end of the year.

I have received a report from the Chairman of the Post Office and a report from officials in the Department who consulted widely with persons and organisations throughout the United Kingdom with an interest in the postal service. In addition My Rt Hon Friend the Secretary of State for Trade referred the Inner London Letter Post to the Monopolies and Mergers Commission: the Commission's report was published on 1 April.

Members of the House will be aware of the widespread criticism of the postal service, particularly in the summer of 1979. I am glad to say that recently the quality of service to the customer as measured by the statistics furnished by the Post Office has shown a marked improvement, particularly in April and May this year. The service is now close to the Post Office's own targets. It has moreover been encouraging to hear of the decision of the Union of Communications Workers to discuss with the Post Office measures to improve productivity and to bring about more efficient working.

/It ...



It has for some time been clear that the monopoly is more extensive than is sensible and that there are uncertainties in some of the key definitions. Taking into account these factors and the views expressed by those whom we consulted in the course of our review, the Post Office's own report on the monopoly, the views expressed by the Monopolies and Mergers Commission, and the quality of service now being received by the customer, I have decided that some measures are desirable. There are certain categories of mail which it would be beneficial to remove from the monopoly. When the necessary legislation has been enacted I intend to relax the monopoly with respect to:

a Time sensitive/valuable mail. Private operators will be free to carry such mail provided they charge a minimum fee of ~~to be decided~~ ^{by who -} ~~.....~~ In addition private operators will be required to register. No license system is proposed for this service.

b Document Exchanges. At present the document exchanges established in a number of the larger cities are able only to operate an exchange of mail at a common centre, and may not transport mail in bulk between those centres. It is intended to amend the law so as to enable them to do this.

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Why?
c Christmas Cards. The Government proposes to amend the law so as to allow charitable organisations to deliver Christmas Cards, provided they do so for half or less the second class postage rate, and that the proceeds of the delivery go to charity.

In addition the Government proposes to amend the law relating to the monopoly in a number of other fields:-

i The Definition of a Letter. It is intended with the help of the Post Office to clarify the definition of a letter in order to do away with the confusion which currently exists.

ii Part Carriage by Private Operators. It is intended to amend the law to allow that where a letter at some stage goes through the Post Office network it may be carried for part of its journey by private carriers provided that it is first stamped. This will enable the large customer some freedom to avoid his mail being handled in those parts of the Post Office network known to give rise to delays.

iii Delivery by Wholly Owned Subsidiary. At present it is permissible to deliver mail on one's own account, but it appears that a wholly owned subsidiary cannot deliver mail on behalf of its parent, or of other companies in the same group. It is intended to amend the law to rectify this anomaly.

iv Addressed Advertising and other new market demands. The Government will watch how the Post Office reacts to such /market ...



market demands and will, if justified, make appropriate derogations from the monopoly.

Finally, the Government will seek to amend the law relating to the Post Office letter monopoly in order to provide powers for the Secretary of State to make derogations in respect of certain categories of mail to remove the monopoly either in a local area or nationally both in the event of industrial action within the Post Office resulting in a cessation or serious decline in the quality of service and, after due warning, in the event of the quality of service declining for other reasons within the control of the Post Office.

Taken together these measures clarify the law, open up to competition some parts of the postal monopoly where it has been represented to me that alternative services would be of benefit to the customer, and safeguard the general interest of the customer by making it clear that the letter monopoly is a privilege which the Post Office needs continually to justify through the quality of the service it provides. I have in addition initiated a review of whether the Post Office's targets for first and second class mail are sufficiently rigorous. I have discussed these changes with the Post Office and believe the measures will stimulate greater efficiency within the postal service.

I will lay before Parliament the changes in legislation necessary to implement these measures.



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