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Ref. A02711

PRIME MINISTER

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Telecommunications: Reference to the Monopolies Commission

At the meeting of E on 9th July, when the pay settlement for the Post Office engineers and the consequences for the External Financing Limit on Post Office telecommunications was discussed, you said that you would consider further with the Ministers directly concerned the possibility of a reference on telecommunications to the Monopolies Commission.

2. The October tariff increase of 20 per cent will be the second this year. This, together with Ministers' general dissatisfaction with the management of the telecommunications business, is a powerful reason for a reference. The Secretary of State for Trade will, however, wish to advise whether the Commission could cope with another reference now. You will also wish to discuss the terms of reference.

3. The Chancellor was anxious that at the same time the Post Office management should report on restrictive practices within the telecommunications business and on what could be done about them. The Secretary of State for Industry was to consult with the Secretary of State for Employment on this. You might ask what progress has been made and whether this work has any bearing on a reference to the Monopolies Commission.

4. You also wish to discuss with the Ministers present the security aspects of a reference to the Monopolies Commission. My minute to you of 8th May explained the implications for interception of changes in the Post Office monopoly. In his own minute of 7th July, the Home Secretary explained the importance of maintaining the special services which the Post Office provide for our intelligence gathering capacity. If the telecommunications monopoly is referred to the Monopolies Commission there is a risk that the Commission may make recommendations which would jeopardise the special services currently provided by the Post Office. It would presumably not be possible to warn them of this risk.

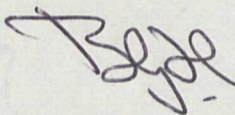




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5. You will wish to ask the Home Secretary for his views on the likely risks of an investigation by the Monopolies Commission jeopardising these operations on their secrecy either through the recommendations they may make or through the enquiries they will have to undertake. The Secretaries of State for Trade and Industry should also be asked for their views on the work of the Monopolies Commission in such a case and on whether there is likely to be any way of limiting their enquiries. It is for consideration, for instance, whether the Chairman or a small number of the senior members of the Commission likely to be involved in such an inquiry should be given a similar sort of briefing to that which Sir Brian Cubbon and I gave to Mr. Adam Butler before his Department began their work on changes in the Post Office Monopoly. The objection to this is that it would put those who had been briefed in a very difficult position in relation to the colleagues who had not been briefed.

6. The only other possibility that I can see, short of not making a reference, would be to try to narrow the risk by restricting the Commission's terms of reference: say, to installation and supply of equipment, excluding them from maintenance. But I doubt whether that would be free from risk.

  
Jov (Robert Armstrong)

23rd July, 1980