

CONFIDENTIAL

DEPARTMENT OF TRADE

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From the Secretary of State

The Rt Hon Patrick Jenkin MP  
Secretary of State for Industry  
Department of Industry  
Ashdown House  
123 Victoria Street  
London  
SW1E 6RB

Prime Minister (2)

Lord Coshfield clearly

thinks that the BT Bill

is moving too fast, and needs  
more thought.

MS 12/11

11 November 1982

Dear Secretary of State

TELECOMMUNICATIONS BILL

Thank you for your letter of 1 November <sup>will request if required</sup> setting out some of your ideas on the future regime for telecommunications. I have also seen your minute to the Prime Minister of 8 November.

Your letter did not deal with all aspects of the Bill; and there are some areas which I shall want to look at more fully when work on them is more advanced. In particular, I shall be interested to see your report to E(TP) on a single or two-tier rates of return, or a profits tax, in the light of Professor Littlechild's study. Meanwhile, a range of important issues on the Bill remain to be settled, and I have specific comments on aspects where my Department is particularly concerned.

My first concern is with British Telecom's efficiency, given the efficiency audit concept which we introduced in Section 11 of the Competition Act 1980. Our common assumption has always been that the powers to investigate BT's efficiency via the MMC would be used automatically, at regular intervals related to setting BT's rate of return. I understand that in the event the Bill does not re-enact Section 11 of the Competition Act so as to bring it to bear on a privatised British Telecom. Instead, the Director General of Telecommunications (DGT) will be able to make monopoly references to the MMC under the Fair Trading Act 1973, as well as having a new power to refer licence variations to the MMC. As a

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*From the Secretary of State*

result, the Bill does not itself contain any explicit concept that there will be a periodic investigation of the efficiency of BT's monopoly, leading to a published report. We need to have a clear public stance on this. It could be established either in the Bill or in the licence conditions (which are obviously becoming an important part of the whole regulatory system). Parliament and the public will need to know our position, and to be assured that the system for controlling the monopoly, striking a balance between preventing abuse and promoting efficiency, is no less effective than the review system in our 1980 Act. Could you let me know what your current proposals are on this?

Next, I am concerned about the powers proposed for the Director General of Telecommunications. As regards licensed telecommunications systems, he should exercise some of the functions currently exercised by the Director General of Fair Trading under the Fair Trading Act 1973 and the Competition Act 1980. But why should his powers in the competition field go significantly wider than the licensed area? The creation of the Director General of Telecommunications, with functions under the Fair Trading Act or the Competition Act, should not be seen as betokening any drift towards weakening our policy towards competition. It would be damaging if the legislation were seen as whittling away the scope of the Director General of Fair Trading's activities, leading to inconsistencies of policy through a division of responsibilities. Your officials and mine have been discussing the best means of avoiding an excessively wide definition of telecommunications in the Bill. My own view is that this is an important problem which we must resolve in the Bill, not postpone to subordinate legislation. The two Directors will need to work together; and flexible machinery must be provided in the Bill so that problems do not later arise with adverse effects for Government resources on the one hand and the business community on the other.

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*From the Secretary of State*

I also have some points on your points on your proposals on consumer protection. As a general matter, I agree with you that the rights of BT's customers must be secured, and BT's privileges removed; and I hope our officials will soon complete their work on this. As for the consumer protection machinery in the Bill, while we had some hesitations about the proposal to oblige the DGT to set performance objectives for BT to try to meet, we are content with this as it stands in the latest print of the Bill. But I understand that you are now thinking of dropping it. That would leave quite a hole in the Bill as regards the consumer interest in both quality of service and the efficient use of resources. If it is dropped, it will be important to make clear during the passage of the Bill that the DGT will play much the same role in relation to "customer performance targets" and so on as the Post-Office Users National Council (POUNC) has played to date. Indeed, that the licensing mechanism will mean that he can turn such targets into more effective disciplines than they are at present. As a separate matter, our officials have been in touch about the need to provide for continued financial support on the modest scale (under £30,000 a year) required to enable the Post Office Advisory Committees (POACs) to liaise with BT management at local level, and about the Bill's provisions on individual customers' complaints, which OFTEL will need to be able to handle on broadly the same basis as POUNC and the POACs do at present.

Finally, further thought needs to be given to the role of the Monopolies and Mergers Commission, and its relationship with the DGT. The Bill makes an innovation in providing for licence variation references to the MMC; and in these cases it is proposed that the MMC report to the DGT, not to Ministers. But this means that it will be open to the MMC to reach public interest findings on a wide range of issues (eg the provision of uneconomic services as a licence condition) and that it will be left to an official, rather than to Ministers, to act on the MMC's report, without Ministers having the opportunity (as in the

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*From the Secretary of State*

case of all MMC reports at present) to interpose their view in deciding on measures to be taken in the public interest. This is quite wrong. It ought to be the responsibility of Ministers to act on MMC reports, and it is quite indefensible to suggest that the job can be fittingly left to an official. I anticipate questions on this point, and should like to be clear of your own views on it.

In your letter you have pointed to the need for speed, and you have said that no further major amendments can be made to the text of the Bill before the Legislation Committee print. Neither I nor, I suspect, some of my colleagues will be prepared to accept that difficult issues should be brushed aside in this way.

I am copying this letter to the Prime Minister, the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Scotland, Northern Ireland and Wales, the Minister for Agriculture, Fisheries and Food, the Secretary of State for the Environment, the Chancellor of the Duchy of Lancaster, the Lord Privy Seal, the Chief Secretary and the Chief Whip, and to John Sparrow and Sir Robert Armstrong.

*Yours sincerely,*

RP

LORD COCKFIELD

[Approved by the Secretary of State  
and signed in his absence.]

Post & Telecomms

Future of Post office

1. July 1982





From the Secretary of State

Jonathan Spencer Esq  
Private Secretary to the  
Secretary of State for Industry  
Department of Industry  
Ashdown House  
123 Victoria Street  
London, SW1E 6RB

11 March 1983

Dear Jonathan,

TELECOMMUNICATIONS BILL

My Secretary of State <sup>will request if required</sup> has now been able to consider the two papers dated 21 February which officials of our two Departments prepared. These followed my Secretary of State's letters to yours of 11 November and 3 December, and which your Secretary of State will also have seen.

So far as the functions of the two Directors General are concerned, my Secretary of State would be ready to agree to the form of concurrent jurisdiction set out in paragraph 11(b) of the relevant paper. Under this system of concurrent jurisdiction each Director General would be competent to exercise functions in relation to commercial activities connected with telecommunications, but only in consultation with the other. As to the stages at which consultation procedures would apply, it would probably be best if they were to apply only at the initial stage of a particular case. The two Directors would then consult one another before either of them first acted under Part IV of the Fair Trading Act or under the Competition Act in relation to a particular case.

You will remember that last year's correspondence between our two Secretaries of State also dealt with the separate issue of reports of the Monopolies and Mergers Commission on licence variation references. My Secretary of State will be writing to yours on this subject on his return.

I am copying this letter to the Private Secretaries to the Prime Minister, the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Scotland, Northern Ireland and Wales, the Minister of Agriculture, Fisheries and Food, the Secretary of State for the Environment, the Chancellor of the Duchy of Lancaster, the Lord Privy Seal, the Chief Secretary, and the Chief Whip and to Sir Robert Armstrong and Mr Sparrow.

Yours sincerely,  
*John Rhodes*

JOHN RHODES  
Private Secretary

*Patentels  
y JV*

*NBM*

*MUS 14/3*

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Future of the  
Post Office, #6

14 MAR 1983

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Prime Minister (2)

From the Secretary of State

MUS 3/12

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The Rt Hon Patrick Jenkin MP  
Secretary of State for Industry  
Department of Industry  
Ashdown House  
123 Victoria Street  
London  
SW1E 6RB

*MJ*

3 December 1982

*Dear Patrick,*

TELECOMMUNICATIONS BILL

Thank you for your letter of 29 November about our outstanding points of difference on the Telecommunications Bill. I have also seen John Sparrow's letter of 15 November. - TPM

I am glad that we have been able to reduce the areas of difficulty. But, as you say, two major points remain at issue: the boundary between the responsibilities of the Director General of Telecommunications (DGTel) and the Director General of Fair Trading; and the reporting point for the Monopolies and Mergers Commission (MMC) on references concerned with variation of licences.

At E(TP) on 30 June we agreed a regulatory authority for monitoring licenced telecommunications systems. We also recognised that a boundary would have to be drawn between the responsibilities of DGTel and the DGFT and MMC. The root of my concern is that the Bill as drafted gives the DGTel far wider powers than was contemplated when the regulatory authority was agreed in June. I believe that this issue must be settled before we can proceed to a conclusion on the demarcation of boundaries.

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*From the Secretary of State*

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As the Bill stands, at present, it would provide the DGTel with the Competition Act and anti-monopoly powers in relation to, for example:-

- i the supply of services which necessarily involve the running of a telecommunications system; this could be a very wide field indeed; and
- ii the production, supply and export - as well as the installation and maintenance of - telecommunications apparatus, whether or not connected to a licenced system. Again, the Bill's very wide definition suggests that even ordinary portable tape recorders could be caught.

In short, the effect of the Bill as presently drafted would be to transfer from the DGFT to the DGTel competition authority over the already wide, and ever increasing, field of telecommunications-related activities. There would be real dangers of inconsistent application of competition policy between different parts of the economy.

For the DGTel to be a general competition authority, over and above a regulator of licence activities, goes further than any decision we have taken, or indeed I have seen any justification for taking. In his 15 November discussion with Gerard Vaughan, Kenneth Baker suggested that the problem of over-lapping responsibilities might be resolved by both Directors General having concurrent jurisdiction over part of the telecommunications field. Each would then act with the consent of the other, with provision for disputes to be resolved by Ministers. I am not attracted to this idea, which would be widely misunderstood. If we are to continue to have a unified and consistent



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competition policy, the DGFT should have primacy.

In so far as it is essential to supplement the agreed powers of the DGTel to regulate the licensed activities through licensed conditions, by some use of the Competition Act and monopoly process, we should aim first for as precise a demarcation as possible of the DGTel's powers. We should narrow any grey area between the two Directors General, by setting the definitions of "activities connected with telecommunications" and "telecommunications apparatus and services" as narrowly as possible. But we should be clear that the DGFT has primacy in cases requiring a decision within the remaining grey area.

There is the separate issue of the reporting point of the MMC on licence amendment references. I am afraid that John Sparrow's comments do not resolve my doubts. Licensed conditions will cover not only rate of return regulation and pricing, where I do understand the arguments against introducing Ministerial discretion. The conditions will also bar some anti-competitive practices - so that the MMC would, on your proposal, report on amendment of these to the DGTel, while reporting to the Secretary of State if the general competition law was used against other anti-competitive practices. The conditions will also impose social obligations; a change in these will alter the burden - upwards or downwards - borne by subscribers generally to the benefit of particular groups, such as the uses of pay 'phones in rural areas. I believe this is something on which Parliament will look for Ministerial accountability.

I consider both the remaining points of difficulty as very important. It is quite contrary to the policy of this Government to set up bodies, largely unaccountable either to Ministers or Parliament, with wide-ranging and all pervasive powers which are

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*From the Secretary of State*

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unnecessary either in their own right or because they are duplicating existing powers elsewhere. I know that our officials are in touch, and hope that a satisfactory solution can be found.

I am copying this letter to the Prime Minister, the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Scotland, Northern Ireland and Wales, the Minister for Agriculture, Fisheries and Food, the Secretary of State for the Environment, the Chancellor of the Duchy of Lancaster, the Lord Privy Seal, the Chief Secretary and the Chief Whip, and to Sir Robert Armstrong and to John Sparrow.

A handwritten signature in dark ink, appearing to read 'L. Cockfield', with a long, sweeping horizontal stroke extending to the right.

LORD COCKFIELD

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Post & Telecomm *cf JV*



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Secretary of State for Industry

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29 November 1982

The Rt Hon Lord Cockfield PC  
Secretary of State for Trade  
Department of Trade  
1 Victoria Street  
LONDON  
SW1H 0ET

Prime Minister (2)

MUS 30/11

Dear Arthur,

Thank you for your letter of 11 November about the detailed points in the Telecommunications Bill which continue to cause you concern. We were unable to meet before Legislation Committee discussed the Bill but Gerry Vaughan and Kenneth Baker had a long and constructive meeting on 15 November and our officials have met on more than one occasion.

2 On most of the points you have raised there is complete agreement between us. The Bill, which has been prepared in some haste, will require amendment in Committee and officials have never been in any doubt about the need to tidy up various points.

3 You asked about proposals for ensuring that BT is efficient. I intend that the performance of BT plc will be subject to reviews which will take account of its efficiency. The precise arrangements will depend on Professor Littlechild's report on Alan Walters' scheme for an output related levy. For the present, however, I am working on the basis that BT plc's licence will contain a condition limiting its maximum rate of return on capital in the regulated business and that this will be reviewed every five years by the Monopolies and Mergers Commission on the basis of a licence variation reference. Clause 11(1) empowers the Director General to specify in a reference "any matters which relate to the supply of telecommunication services or telecommunication apparatus" and I shall give the Director General guidance under Clause 49(1) to have particular regard to efficiency when making such references. The precise arrangements were worked out in the Bradbury Working Group, in which your officials participated, and Kenneth Baker will explain our proposals in Committee.



4 So far as consumer protection is concerned, the Bill is a significant step in the right direction; it does much to secure the rights of BT's customers and to remove BT's privileges and it has been welcomed in the press. I intend to introduce proposals on metering in Committee which will provide an opportunity to consider the provisions in Clause 41 about documentary evidence for sums due. I deleted the provisions about performance targets because they represented too much potential interference by Whitehall in the affairs of private companies but I shall explain on second reading that the Director General will play much the same role as the Post Office Users National Council in relation to performance targets. Clause 47(5) contains the provision you requested about payments to Postal and Telecommunication Advisory Committees.

5 There are, however, two areas of disagreement between us. The boundary between the functions of the Director General of Telecommunications and the Director General of Fair Trading is a genuinely difficult problem; and you have raised the question whether it is right for the MMC to report to the Director General and not to Ministers on licence variation references. Our officials are in touch about these issues and I shall write to you again shortly.

6 I am copying this letter to the recipients of yours.

*You are*  
*Ratne*

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30 NOV 1982

Post & Telecomms  
Future of:

TELECOMMUNICATIONS BILL  
2nd Reading  
Monday 29th November 1982

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### Purpose of the Bill

Information Technology (IT) is a rapidly growing and rapidly developing sector of the economy. Its development demands access to a modern telecommunication network. The Government is determined that:

- \* the telecommunications supply industry should not be held back unnecessarily in responding to expanding IT markets;
- \* that BT should be free to participate on equal terms with private sector companies in this expansion;
- \* that BT's customers should be relieved of the need to finance investment through charges, where this could be done by the markets;
- \* that BT's customers should benefit from free and fair competition in the supply of telecommunications services.

Already, telecommunications is being liberalised. Arrangements are being made for users to have a choice:-

- of network - Mercury and the private sector radio telephone company will give business and some other users a choice of telephone company for their calls;
- of services - users will have a choice of company when they want a service provided over the telephone.
- of apparatus - users will have the choice of whether to buy or rent most of their telecommunications apparatus from BT or other suppliers.

The present Bill will take the process of liberalisation to its logical conclusion.

### Provisions of the Bill

BT will be changed from a nationalised industry to a public limited company, BT plc. All its existing assets and liabilities will be transferred to the successor company. After the next general election, the Government plans to sell 51% of the shares.

The present exclusive privilege of BT to run the telecommunications system will end. BT and the other operators will run under licences issued by the Secretary of State, and BT will no longer have powers to license other operators.

Operating licences will contain certain conditions. In particular, because BT will operate what is by far the largest and most important network, its licence will be negotiated with particular care. There will be a condition that all reasonable demands in all parts of the UK (rural areas, City of London etc) should be provided. BT will also be required to operate kiosk and emergency services.

BT's licence will also protect rights of connection to its network of apparatus from other suppliers which meets approved standards,

and of other licensed systems. Other conditions will ensure fair competition and fair pricing.

A new Office of Telecommunications will be set up. Among other things, OFTEL will:

- \* ensure fair and free competition in telecommunications;
- \* monitor compliance with licence terms and conditions;
- \* investigate consumer complaints;
- \* advise the Secretary of State on telecommunications matters.

At present, BT does not generally provide services under contract, and customers cannot normally sue BT for negligence etc. The Bill will require BT to provide services under contract and remove immunity in most cases from civil action. Customers will be able to sue BT just as they can sue shops which, for example, supply faulty goods.

The Bill also provides for the Telegraph Acts, most of which date from the nineteenth century, to be replaced by a new Telecommunication Code, which will provide for telecommunication operators to be authorised to install their plant in private land, streets etc. The Code has been drafted so as to make sure that no person should unreasonably be denied access to a telecommunications system because of difficulties in connecting his home or business to a public telecommunications system.

The Bill also seeks to amend some provisions in the Wireless Telegraphy Acts.

BT Results

	1979	1980	1981*	1982
Turnover £m	3,243.9	3,558.9	4,554.2	5,708.1
Profit/(loss) £m	336.4	129.1	123.9	457.8
Capital requirement £m	1,045.8	1,352.1	985.0	1,837.6
Self-financing ratio	106.1	79.2	111.9	88.8
Capital employed £m	11,995.1	13,540.1	14,574.6	15,285.4

Return on capital employed at replacement cost:

Target %	6.0	5.0	5.0	5.0
Achievement %	6.9	4.6	4.4	6.5

Tariff index (1970 = 100) adjusted for inflation	82.6	74.0	76.8	82.5
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\*Accounting policies were modified in 1981, so some figures are not strictly comparable.

The Corporation reduced its real unit costs by an average of 2.9% pa in the four years 1978-9 to 1981-2, and the figure in 1981-2 was 2.1% below that in 1980-1. The target set in 1978 (currently under review) was a reduction of 5% pa, over the five years 1978-9 to 1982-3.

The target real rate of return for 1982-3 and 1983-4 is 5½%, and the EFL for 1982-3 has been set at £320 million.



Points to make:

Rural areas - The Government has made a commitment that anyone who has access to a phone under present arrangements will continue to do so under the new ones. BT's board has publicly accepted a continuing responsibility to provide services to rural and outlying areas.

BT is at present under no obligation to maintain a universal tariff structure. For example, some rural connection charges are more expensive than the average. Under the new arrangements OFTEL will ensure that there will be no undue discrimination; nor will rural areas be charged unreasonable prices. Apart from the initial connection of remote subscribers, there is no evidence that rural services are more costly than others to provide.

Consumer protection

The introduction of competition is an effective curb on prices. For example, BT has already reduced charges on its 100 most densely used trunk routes, and there has been a significant reduction in the price of telex teleprinters following liberalisation.

Customers will also benefit from the fact that the extent to which investment is financed from revenue will probably fall, once BT has access to financial markets. However, the Government accepts that BT will dominate some telecommunications sectors. The terms of its licence will include conditions on the real rate of return on capital that BT is able to earn on these activities. This will be fixed so as to maintain pressure on BT to improve efficiency, while providing incentives for expansion. OFTEL will ensure that no unreasonable prices are charged, and that there is no undue discrimination against certain classes of customers.

The Post Office Users' National Council (POUNC) will no longer deal with telecommunications once BT becomes a plc. OFTEL will effectively take over these responsibilities. Unlike POUNC, OFTEL will, through its monitoring of licence conditions, be able to enforce its suggested remedies for consumer problems. OFTEL will take over the POUNC role of agreeing performance targets with BT, and extend this to other telecoms operators.

The provisions already described to introduce legal redress for consumers will also be of benefit to them.

The Sale

The precise method of sale will be decided in the light of market conditions at the time. The issue will be the largest ever carried out in this country. The Government hopes that many of BT's 250,000 employees and 18,000,000 subscribers will buy shares. Ways of encouraging them are being considered.

The Articles of Association of BT plc will prevent foreign or domestic take overs. The claims of BT, the pre-1969 pension deficiency and the taxpayer will be considered in relation to the proceeds of the sale.

The Workforce

Telecoms is a major growth area. The removal of restrictions on

on financing will allow BT to take maximum advantage of this, along with the other telecoms firms. There should be more, not fewer, jobs than if BT carried on as a nationalised industry.

There has been talk of a cut of 45,000 in BT jobs. It is certainly true that BT does need to improve its efficiency. It could provide the present level of services with fewer people. But, the BT Bill offers the prospect of an expansion in output.

The telecommunications manufacturing industry has lost 40,000 jobs in the last ten years. That shows that the mixture of monopoly and protection does not pay. Since liberalisation, the prospect of an expanding industry has been to hand:

- (1) On the equipment side, new market entrants such as Mitel, GTE/Ferranti, Harris, have already put down plants and are generating new jobs in manufacturing. Retailers such as Discoms, Tandy, and many other smaller people are already expanding into the liberalised market and are recruiting new staff.
- (2) As regards valued added services, this is a whole new industry and there is a build up of businesses wishing to offer new services on the network. It is expected that over the next 3 to 4 years several thousand new jobs will be created as we witness the rapid growth in this service sector already manifest in the United States. BT itself has created a new job centre in Telecom Gold.
- (3) Mercury itself will create new jobs as well as pull through new jobs on the supply side. BT in response has created new posts to provide competitive digital services.

The legislation will safeguard existing employee pension rights, and will in no way disadvantage employees or weaken their pension position. The Government cannot guarantee how pension arrangements will evolve in the future even in the nationalised industries.

#### Political Points

- \* Nationalisation has been increasingly unpopular since the 1950s. A recent survey by NOP (August 1982) showed that 63% of the electorate - and, indeed, 35 per cent of Labour voters as well as 68 per cent of Alliance voters - want no more nationalisation.
- \* Despite this unpopularity, Labour want to extend nationalisation, and return to the use of public sector monopolies. Labour's Programme 1982 says:  
"We will restore the public monopoly in the field of post and telecommunications, and return 'Project Mercury' to British Telecom".
- \* Labour's attitude to new technology is to nationalise it. The first point in their list of proposals for new technology published in Labour's Programme 1982 is:-

"Through INMOS we have a publicly owned company manufacturing and developing silicon chips. We will extend public ownership in electronics through the National Enterprise Board. GEC, which occupies a pivotal position in the British electronics and electrical engineering industries, will form an integral part of our public ownership programme".

\* Labour plays lip service to the need for technological development, but cannot escape the Luddite inclinations of many in the Party. Tony Benn, for example, has changed his mind since his days at MINTEC, in the forefront of the "white heat of technology" movement. In a film made by the Education Media Group, released on 25th February 1982, he says that the microchip could cause unemployment, social disruption and "tyranny in the guise of liberation" (A report in the Financial Times, 26th February 1982).

\* Labour's Programme 1982 promises to encourage unions to negotiate New Technology Agreements. However, the objective is not to promote new technology; it is to promote the power of the unions. The Programme states:

"Trade unions have been relatively successful over the post-war period in extending joint control over day-to-day decisions in the enterprise. Although progress has been uneven, they have in many places extended the frontier of negotiation beyond terms and conditions of employment to include issues formerly within the managerial prerogative. Among these issues are the organisation and pace of work; staffing levels; recruitment and deployment of labour; demarcation and labour flexibility; quality, stock and financial control; grievances and discipline; and health and safety. Workforce influence in these areas has been enlarged mainly through developments in the scope of collective bargaining. Much of the impetus for these developments has come in recent years from the negotiation of New Technology Agreements. These have been accompanied by significant changes in trade union structure. The shift to plant and company bargaining has led to the growth of Joint Union Committees which have strengthened the ability of workforce representatives to pressurise management on key issues relating to the organisation of production".

\* Under Labour, BT was starved of investment. Under the Conservatives, investment has increased substantially:  
Capital Requirement £m

Outturn

1976-7	1977-8	1978-9	1979-80	1980-1	1981-2
816	844	993	1,215	1,545	1,898

Plans

1982-3	1983-4	1984-5
2,380	2,725	2,960

PEWP, Cmnd 8494-11 1982

\* Labour set the target (in 1978) for BT of a 5% per annum reduction in real unit costs for 1978-9 to 1982-3. The average so far has been a reduction of 2.1%. The following extracts from a letter from BT's Chairman to his staff, dated December 1981 illustrate the problems:

"In the past, management hasn't laid sufficient emphasis on labour efficiency and output...

"...over 40 per cent of field supervisors' time is spent on paperwork. There's more emphasis on reporting up than on securing useful and timely information for the work in hand.

"We've been hampered by things like inter-union arguments on operating computer terminals in mixed clerical/engineering work areas...

"...For every two hours spent on installation in the field, one hour is spent in control, line plant allocations and replacements. The number of survey officers has remained unchanged for 20 years, although the need for them has reduced. In America, AT & T installation and maintenance staff average seven visits a day, compared with our average of three.

"... despite reductions in such things as travelling time over the last two years (ineffective time) still represents 40 per cent on cost.

"In exchange maintenance, studies show that manning levels could be reduced by better work organisation.

"Over 70 per cent of maintenance staff in Strowger exchanges are graded as TOs; the figure should be nearer 50 per cent.

"Then there's grade drift - people being paid a grade or so higher than their work deserves.

"The problems are compounded by:

- demarcation problems;
- inflexible work practices;
- rigidity on manning levels; and
- slowness to accept change.

"A succession of surveys show that BT salaries are generally above the average; at best, they're near the very top of the market.

"In addition to the staff's contribution of 6% of salary, BT also contributes to the Pension Fund at the rate of 15½% - much more than most other large organisations.

"There are many other ways in which the business overspends, eg:

- THQ staff has grown by over 10 per cent since 1978.
- Over 30 per cent extra SSS staff (half of them in THQ) in the same period.
- There are 25,000 THQ staff, some 8000 RHQ staff, to say nothing of Area HQs.
- Over-generous accommodation, compared with commercial firms, particularly with so many HQ staff in London.
- Slow and expensive promotion and appointments procedures, with seniority often more influential than merit."

- \* The SDP think that they can devise a scheme, where others have failed, which will accurately simulate the pressures of the market place. This flies in the face of all past experience.
- \* Since the war, the accumulated loss through grants and capital write offs of the nationalised industries is, in today's money, around £40,000 million. Yet Roy Jenkins has said: "Many of the early nationalisation measures are right. They have remained part of the social fabric. I favour measures of this type" (Hansard, 10th November 1982, col. 579).

"Alliance" Voting Record on Nationalisation/Privatisation

	<u>Voted with the Conservatives</u>	<u>Voted with Labour</u>
Industry Bill Second Reading (NEB) 17-18.2.75	Brocklebank- Fowler Liberals	Owen (L) Jenkins (L) Rodgers (L) Williams (L) Wrigglesworth (L)
BL Bill Second Reading 21.5.75	Liberals	Owen (L) Williams (L)
Aircraft & Ship- building Industries Bill Second Reading 2.12.75	Liberals	Jenkins (L) Owen (L) Rodgers (L) Williams (L)
Civil Aviation Bill: British Airways Second Reading 19.11.79	Brocklebank- Fowler (C) Liberals	Owen Wrigglesworth
British Aerospace Bill Second Reading 20.11.79	Liberals Brocklebank- Fowler	Owen (L) Wrigglesworth (L)
Transport Bill: National Freight Corporation 27.11.79	Liberals Brocklebank- Fowler	Rodgers Wrigglesworth

British  
Telecommunications  
Bill  
Second Reading  
2.12.80

Brocklebank-  
Fowler (C)  
Two Liberals:-  
Ross  
Howells

Owen  
Wrigglesworth  
Rodgers  
(No Liberals)

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Debate on the  
Address,  
Nationalised  
Industries  
10.11.81

Liberals  
abstained

Owen  
Rodgers  
Wrigglesworth

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Transport Bill:  
British Transport  
Docks Board & BR  
Subsidiaries  
Second Reading 13.1.81

Brocklebank-  
Fowler (C)  
Liberals

Owen  
Wrigglesworth

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Oil & Gas  
Enterprise Bill  
Second Reading  
19.1.82

Owen  
Wrigglesworth  
Williams  
Liberals

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Transport Bill:  
National Bus  
Company  
9.2.82

Liberals  
Brocklebank-Fowler  
Owen  
Williams

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Debate on the  
Address  
Public Enterprise  
9.11.82

Liberals  
SDP

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British  
Shipbuilders Bill  
Second Reading  
17.11.82

Owen  
Rodgers  
Williams  
Liberals

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LMR/CR  
26.11.82