CONFIDENTIAL

JH 776

PRIME MINISTER

TELECOMMUNICATIONS BILL: LITTLECHILD REPORT

You will recall that at E(TP) on 30 June 1982 we asked officials to consider options for regulating BT's profitability under the new regime to be established under the Telecommunications Bill. On Alan Walters' suggestion I invited Professor Littlechild to review these options and make recommendations.

2 This he has now done. He recommends against either a maximum rate of return or an output related profits levy. Instead, he proposes a Local Tariff Reduction Scheme to ensure that charges for local calls and for renting a telephone fall in real terms - by adopting, he suggests, a formula based on "RPI minus X".

3 Professor Littlechild's central argument is that the extent to which regulation of BT will be necessary will be dependent on the extent of competition in telecommunications markets. If effective competition with BT could be achieved in all sectors of the market, controls on profits could be dispensed with entirely. However, BT is not likely to face serious competition in local services for the foreseeable future; hence the justification for some protection for subscribers in this limited area. At

the same time Professor Littlechild recommends Government action to increase competition in several significant areas - shared use and resale of capacity on leased lines, international liberalisation, ending the prime instrument monopoly, encouragement of network operators using alternative technologies to those used by BT and Mercury, and action within the context of the Telecommunications Bill to promote market entry (for example, there should be no discrimination in respect of access to the public network or in respect of charges for specific services).

4 Both Alan Walters and John Sparrow have welcomed the central thrust of Littlechild's approach - minimum regulation coupled with maximum competition - and I must say it reinforces all we have been seeking to do in telecommunications since July 1980. The focussing of controls on charges for local services where BT's monopoly is least open to competition is logical and presentationally attractive. The real price objective scheme is very similar to what we had in mind at the time of the Buzby bond and makes least administrative demands.

5 We must now decide on the publication of the Report and the Govenment response in light of the serious difficulties which Ministers are facing in Standing Committee. Progress on the Bill has been very slow. Our supporters have been outspokenly critical of our apparent inability to lift the restrictions inhibiting genuine competition to BT. They also remain anxious

about the implications of privatisation for services in the rural areas. Both sides of the Committee have made it clear that they will block progress on Clause 3 of the Bill until they have seen Littlechild. We have now spent over 80 hours in Committee and are nearing a guillotine.

6 To win the wholehearted support of our side of the Committee, we will have to come clean and make as positive a statement as we can on the totality of the Littlechild recommendations outlined in the paragraph above. Outside the Bill, we have been making good progress on further stages of liberalisation; I am confident we can meet many of the specific recommendations made by Littlechild.

7 BT's introduction of a new plug and socket programme makes it practicable to unwind the prime instrument monopoly on a step by step basis. We have already planned for the liberalisation of the maintenance monopoly on digital SPC PABXs. We are now working on a scheme to extend this to all call routing apparatus. The Department's study on Mercury's case for international switching is nearing completion. Professor Beesley recommended resale of leased circuits two years ago. Our VANs general licence moved a long way in this direction; we are now in a position to contemplate the next logical step.

8 There is one major recommendation of Littlechild's we cannot accept - namely a direct subsidy for social or uneconomic

services. Sir George Jefferson himself has turned this approach down and I think we can adequately cover BT by requiring all licensed public telecommunications systems operators to pay BT an access charge for the privilege of interconnection to the public switched network. Mercury have already agreed such an access charge with BT.

9 I recognise that colleagues will wish in due course to consider the implications of a specific price formula, but meanwhile I would like Kenneth Baker to publish the Littlechild Report and make a statement on the lines of the attached draft on Monday 7 February.

10 I am copying this to Willie Whitelaw, Francis Pym, Geoffrey Howe, John Biffen, Arthur Cockfield, John Sparrow and Sir Robert Armstrong.

PJ

P J

3 February 1983

Department of Industry
Ashdown House
123 Victoria Street

DRAFT STATEMENT

TELECOMMUNICATIONS REGULATION

1. With permission Mr Speaker I will make a statement about telecommunications policy.

2. It is the Government's aim that after privatisation, BT should be able to develop and diversify in a dynamic manner not only in the area of existing telecommunications services but also in the new information technology systems and services, on a world-wide basis. This will be good for the customer, the country, investors, BT and its staff. Equally the Government recognises that there is public concern that there should be no opportunity for BT plc to fix excessive charges to customers in the areas where it has a virtual monopoly for the time being and where thererfore users of telecommunications services do not have a choice of supplier. To this end my Rt Hon Friend the Secretary of State announced at the Second Reading of the Telecommunications Bill the appointment of Professor Stephen Littlechild of Birmingham University to carry out a study of these issues. Professor Littechild's report is being published today and copies are available in the Vote Office. The

Government is grateful to Professor Littlechild for undertaking this important task.

3. Professor Littlechild has made 2 major recommendations concerning the price regime after privatisation and the extent of competition. As regards pricing policy, he recommends that BT plc should be obliged for 5 years to keep any increase in its prices for domestic rentals and local calls and other services of particular concern taken together below the increase in the RPI. The Government accepts this approach but will want to give further consideration to the range of services to be included within the price limitation for example whether to include installation charges and charges for trunk calls. BT will be obliged to observe the arrangement finally determined and the powers of the DG of Telecommunications under the Bill are adequate to ensure that it is complied with. The aim of these arrangements will be to ensure a continuing reduction in the real cost of telephone services to the consumer across the country.

4. Professor Littlechild also considers that there need be no more onerous regulation but he recommends a substantial increase in competition in telecommunications. The Government has been progressively introducing competition as quickly as possible. In response to Professor Littlechild and in continuation of this process I can now announce further initiatives to promote

competition.

5. First, customers who have standard BT sockets will be free to purchase from any supplier the first telephone, connected to direct exchange lines. All apparatus will have to be approved for connection. I have asked BT to accelerate its programme of fitting standard sockets and my aim is that by 31 December 1984 this choice will be available to customers who want to exercise it. Thus the prime instrument monopoly will then be at an end.

This is agreed with PM MCS 4/2

6. Second, over a period of 4 years maintenance of all new call routing apparatus will be opened up to competition by persons approved by the Secretary of State. BT themselves will remain free to offer a maintenance service but on a fair competitive basis. I intend to introduce shortly amendments to the Telecommunications Bill to provide for licensing of those maintaining call routing apparatus. I will also be consulting BT, the industry and other interested parties on the phasing in of these arrangements.

7. Third, the Government accepts that the current restriction on Mercury's supply of international services should be eased. This will require discussions with other Governments. A study on the provision of international services is nearing completion and after consultation with all interested parties, I will make a further

statement.

8. Fourth, the Government accepts the principle of reducing restrictions on resale of capacity on private telecommunication circuits leased from BT and other public telecommunicating operators, but I recognise that this could have considerable implications for BT's revenue. I will want to consider the terms and timing of introducing any change after consultation with BT and other operators.

9. Fifth, the Government believes that competing licensed networks should have the right to interconnect on appropriate terms with BT's and Hull's networks. But in return BT must have the right to charge such networks as Mercury, Hull and the 2 cellular radiophone networks access fees on a non-discriminatory basis which will include a contribution towards the cost of providing the national asset of countrywide local networks. BT's own trunk and international divisions should also be subject to access fees on the same basis . These access fees will generate a significant revenue for BT to cover emergency 999 services, which are free and any losses incurred on call boxes and other services particularly those in remote and rural areas. The access fees will safeguard the continued provision of these services and the universal service, without subsidy from the taxpayer.

10. The Government recognises the importance to the national economy of BT's vital role in telecommunications. We are phasing in these new measures of competition in step with progress towards moving BT out of the public sector and out of the present web of Government controls. This is an expanding and rapidly changing market, and the greatest benefits to Britain, the consumer and the telecommunications industry will come from fuller and fairer competition. The arrangements I have announced today will achieve this.

cc JU

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

JU855
Secretary of State for Industry

3 February 1983

CONFIDENTIAL

Michael Scholar Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Michael,

TELECOMS LIBERALISATION

You and the copy recipients of this letter received a minute addressed to the Prime Minister from my Secretary of State on telecommunications liberalisation on 2 February, enclosing a statement which he hoped Mr Baker would make in the House of Commons early next week. with mcs.

2 I should be grateful if you would substitute the attached minute and draft statement, which have been revised to take account of the outcome of the Prime Minister's meeting today, and the series of meetings with Sir George Jefferson which were foreshadowed in paragraph 9 of the earlier minute. I am sending copies of this letter and enclosures to John Halliday (Home Office), Brian Fall (FCO), and Richard Hatfield (Cabinet Office).

Yours sincerely,

Jonathan Spencer

J P SPENCER
Private Secretary

CONFIDENTIAL

JH 776

Prime Minister

This minute goes wider than the subject of this particular meeting but sets out the full proposal

Are you content that the Littlechild report should be published and that Mr. Baker should make the attached statement? (I find the statement clearer than the covering minute!)

FERB 2.2.

PRIME MINISTER

TELECOMMUNICATIONS BILL: LITTLECHILD REPORT

You will recall that at E(TP) on 30 June 1982 we asked officials to consider options for regulating BT's profitability under the new regime to be established under the Telecommunications Bill. On Alan Walters' suggestion I invited Professor Littlechild to review these options and make recommendations.

2 This he has now done. He recommends against either a maximum rate of return or an output related profits levy. Instead, he proposes a Local Tariff Reduction Scheme to ensure that charges for local calls and for renting a telephone fall in real terms - by adopting, he suggests, a formula based on "RPI minus X".

3 Professor Littlechild's central argument is that the exent to which regulation of BT will be necessary will be dependent on the extent of competition in telecommunications markets. If effective competition with BT could be achieved in all sectors of the market, controls on profits could be dispensed with entirely. However, BT is not likely to face serious competition in local services for the foreseeable future; hence the justification for some protection for subscribers in this limited area. At

the same time Professor Littlechild recommends Government action to increase competition in several significant areas - shared use and resale of capacity on leased lines, international liberalisation, ending the prime instrument monopoly, encouragement of network operators using alternative technologies to those used by BT and Mercury, and action within the context of the Telecommunications Bill to promote market entry (for example, there should be no discrimination in respect of access to the public network or in respect of charges for specific services).

4 Both Alan Walters and John Sparrow have welcomed the central thrust of Littlechild's approach - minimum regulation coupled with maximum competition - and I must say it reinforces all we have been seeking to do in telecommunications since July 1980. The focussing of controls on charges for local services where BT's monopoly is least open to competition is logical and presentationally attractive. The real price objective scheme is very similar to what we had in mind at the time of the Buzby bond and makes least administrative demands.

5 We must now decide on the publication of the Report and the Govenment response in light of the serious difficulties which Ministers are facing in Standing Committee. Progress on the Bill has been very slow. Our supporters have been outspokenly critical of our apparent inability to lift the restrictions inhibiting genuine competition to BT. They also remain anxious

about the implications of privatisation for services in the rural areas. Both sides of the Committee have made it clear that they will block progress on Clause 3 of the Bill until they have seen Littlechild. We have now spent over 80 hours in Committee and are nearing a guillotine.

6 To win the wholehearted support of our side of the Committee, we will have to come clean and make as positive a statement as we can on the totality of the Littlechild recommendations outlined in the paragraph above. Outside the Bill, we have been making good progress on further stages of liberalisation; I am confident we can meet many of the specific recommendations made by Littlechild.

7 BT's introduction of a new plug and socket programme makes it practicable to unwind the prime instrument monopoly on a step by step basis. We have already planned for the liberalisation of the maintenance monopoly on digital SPC PABXs. We are now working on a scheme to extend this to all call routing apparatus. The Department's study on Mercury's case for international switching is nearing completion. Professor Beesley recommended resale of leased circuits two years ago. Our VANs general licence moved a long way in this direction; we are now in a position to contemplate the next logical step.

8 There is one major recommendation of Littlechild's we cannot accept - namely a direct subsidy for social or uneconomic

services. Sir George Jefferson himself has turned this approach down and I think we can adequately cover BT by requiring all licensed public telecommunications systems operators to pay BT an access charge for the privilege of interconnection to the public switched network. Mercury have already agreed such an access charge with BT.

9 Without pre-empting the more detailed discussions I will need to have with BT and colleagues in E(TP) on the price formula and on the phasing in of competition, I would like Kenneth Baker to publish the Littlechild Report and make a statement (on the lines of the attached draft which is still being discussed with BT) not later than Tuesday 8 February.

10 I am copying this to Willie Whitelaw, Francis Pym, Geoffrey Howe, John Biffen, Arthur Cockfield, John Sparrow and Sir Robert Armstrong.

J.P. Spencer

MP. PATRICK JENKIN
(Approved by the Secretary
of State and signed in his
absence)

2 February 1983

Department of Industry

DRAFT STATEMENT

TELECOMMUNICATIONS REGULATION

1. With permission Mr Speaker I wish to make a statement about telecommunications policy.

2. The Government is progressively introducing competition so that consumers and other users of telecommunications will have a choice of supplier. However, BT will continue to be the dominant supplier of services for some time and the Government is concerned that while this remains the case there should be no opportunity for BT to fix excessive charges to consumers where it has a virtual monopoly. To this end my Rt Hon Friend the Secretary of State announced at the Second Reading of the Telecommunications Bill the appointment of Professor Steven Littlechild of Birmingham University to carry out a study of these issues. Professor Littechild's report is being published today and copies are available in the Vote Office. The Government is grateful to Professor Littlechild for undertaking this important task.

M75AAF

3. Professor Littlechild has made 2 major recommendations concerning the price regime after privatisation and the extent of competition. As regards pricing policy, he recommends that BT plc should be obliged for 5 years to keep any increase in its prices for domestic rentals and local calls and other services of particular concern taken together below the increase in the RPI. The Government accepts this approach but will want to consider in particular whether it should apply to a wider range of services for example by including installation charges and charges for trunk calls. In its licence BT will be obliged to observe this arrangement and the DG of Telecommunications will have powers under the Bill to ensure that it is observed. This arrangement will ensure that privatisation will lead to a reduction in the real cost of telephone services to the consumer across the country. This price limitation is focussed on those services where BT's monopoly is least subject to competition. Otherwise BT will be free to develop and diversify in a dynamic manner to provide cost-effective and competitive information systems and services on a world-wide basis.

4. Professor Littlechild also recommends a substantial increase in competition in telecommunications. In response I can now announce five new initiatives to promote competition.

5. First, customers who have standard sockets fitted by BT will be free to purchase from any supplier the first telephone, connected to direct exchange lines. This will end the prime instrument monopoly. All apparatus will have to be approved for connection. I will consult the manufacturing industry about the timing of this change but I have asked BT to accelerate its programme of fitting standard sockets and my aim is that by 1 June 1984 this choice will be available to customers who want to exercise it.

6. Second, maintenance of all new call routing apparatus will be opened up to competition by persons approved by the Secretary of State. I intend to introduce shortly amendments to the Telecommunications Bill to provide for the licensing of those maintaining call routing apparatus. These new arrangements for maintenance will come into force after the appointed day when details of licensing have been determined in consultation with all interested parties.

7. Third, the Government accepts the principle of easing the current restrictions on competition in the supply of international services. This will require discussions with

other Governments. A study on Mercury's position is nearing completion and after this I will consult all interested parties to determine a date when Mercury will be allowed to supply switched international services.

8. Fourth, the Government accepts the principle of ending the restrictions on resale of capacity on private telecommunication circuits leased from BT, but I recognise that this could have considerable implications for BT's revenue and I will want to decide the terms and timing of introducing any change after consultation with BT.

9. Fifth, the Government believes that competing networks should have the right to interconnect with BT's networks. But in return BT must have the right to charge such networks as Mercury, Hull and the 2 cellular radiophone networks as well as any future resale operators access fees on a non-discriminatory basis to contribute towards the cost of providing the national asset of countrywide local networks. BT's own trunk and international divisions should also be subject to the same access fee. These access fees will generate a significant revenue for BT to cover emergency 999 services, which are free and any losses incurred on call boxes and other services particularly those in remote and rural areas. The access fee will secure the provision of the universal service, including the social obligations without subsidy from the taxpayer.

10. The Government recognises the importance to the national economy of BT's vital role in telecommunications, but this is an expanding and rapidly changing market, and the greatest benefits to Britain, the consumer and the telecommunications industry will come from fuller and fairer competition. The arrangements I have announced today will achieve this.

CONFIDENTIAL

Kl: B

bc Alan Walters

POST AND TELECOMS.

10 DOWNING STREET

From the Private Secretary

4 February 1983

Telecoms Liberalisation

Thank you for your letter of 3 February, with which you enclosed a draft statement which Mr. Baker hopes to make in the House of Commons on Monday.

The Prime Minister is generally content with these proposals, and that Mr. Baker should publish the Littlechild Report and make a statement on these lines.

I am sending copies of this letter to John Halliday (Home Office), Brian Fall (FCO), and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

Jonathan Spencer, Esq.,
Department of Industry,

CONFIDENTIAL

CONFIDENTIAL

cc JV

(2)

Prime Minister

MRS 8/2

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

Dr J P Spencer
Principal Private Secretary to
Secretary of State
Department of Industry
Ashdown House
123 Victoria Street
London SW1E 6RB

7 February 1983

Dear Jonathan,

TELECOMMUNICATIONS BILL: LITTLECHILD REPORT

Because of the urgency I telephoned through to you on Friday evening our comments on the draft statement on the Littlechild Report attached to your Secretary of State's minute to the Prime Minister of 3 February. This is to record the upshot of further discussions over the weekend between Mr Jenkin and the Chief Secretary which culminated in my agreeing an addition to paragraph 3 this morning with Mr Baker's office.

As a result of these discussions we agreed the following three amendments:-

(i) paragraph 2: after the second sentence add a new sentence as follows, "But expansion and growth must be based on a fairly earned return and not on monopoly profits".

(ii) paragraph 3: after the fourth sentence add a new sentence as follows, "It will be important for the precise formula to be soundly based and fair both to the consumer and BT and I intend to commission further work on this".

(iii) paragraph 8: end first sentence at the word "operators" deleting the subsequent words: "but I recognise that this could have considerable implications for BT's revenue".

The Chief Secretary was grateful for Mr Jenkin's acceptance of these changes, and for the further reference to improvement in BT's efficiency which I understand has been separately worked into the final sentence of paragraph 3. DOI and Treasury officials will now consult urgently on the two specific suggestions which, in the time available, Mr Jenkin was reluctant to include in the statement without further opportunity for consideration. These are, first, the proposal that the Monopolies Commission should be invited to review the scope for efficiency gains by BT and to make proposals for the prices formula; and secondly, that the guidelines in Section 3 of the Bill should be amended to require the MMC and DG Tel to take the need for efficiency specifically into account. The Chief Secretary was content not to press these points on the understanding that the Secretary of State was sympathetic to the concept of an external assessment of the scope for cost savings in order to underpin the pricing formula eventually adopted, and would also be prepared to consider an amendment to Section 3 on these lines at Report Stage of the Bill.

I am sending copies of this letter to the Private Secretaries to the Prime Minister, Home Secretary, Foreign Secretary, Lord President of the Council, Secretary of State for Trade, and to Mr Sparrow and Sir Robert Armstrong.

Yours sincerely

JG. Gieve

JOHN GIEVE
Private Secretary

Post & Telecom: Future Pt 6

- 8 FEB 1985

12 1 2 3 4 5 6 7 8 9 10 11

2 pp's

cc W.E. J/W

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
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FROM THE
MINISTER OF STATE
FOR INDUSTRY AND
INFORMATION TECHNOLOGY

KENNETH BAKER'S OFFICE

Post

Michael Scholar Esq
10 Downing Street
LONDON SW1

7 February 1983

Dear Michael,

LITTLECHILD REPORT ON TELECOMMUNICATIONS

My Secretary of State's minute of
3 February to the Prime Minister attached a draft of the statement which Mr Baker intends to make today on the Littlechild report.

I now attach a final version of the statement, which will be delivered some time after 3.30 today.

Copies of this go to the Private Secretaries to the Home Secretary, the Foreign Secretary, the Chancellor, the Leader of the House, the Chief Whip, the Secretary of State for Industry, John Sparrow, Sir Robert Armstrong and Bernard Ingham.

Yours sincerely

Neil McMillan

N M McMILLAN
Private Secretary

M76/M76AAQ

STATEMENT

TELECOMMUNICATIONS REGULATION

1. With permission Mr Speaker I will make a statement about telecommunications policy.

2. After privatisation, BT should be able to develop and diversify in a dynamic manner not only in the area of existing telecommunications services but also in the new information technology systems on a world-wide basis. This should benefit the customer, the country, investors, BT and its staff. But the Government recognises the public concern that there should be no opportunity for BT plc to fix excessive charges to customers in the areas where it has a virtual monopoly for the time being . To this end my Rt Hon Friend the Secretary of State announced at the Second Reading of the Telecommunications Bill the appointment of Professor Stephen Littlechild of Birmingham University to carry out a study of these issues. Professor Littechild's report is being published today and copies are available in the Vote Office. The Government is grateful to Professor Littlechild for undertaking this important task.

3. Professor Littlechild has made 2 major recommendations concerning the price regime after privatisation and the extent of competition. As regards pricing policy, he recommends that BT plc should be obliged for 5 years to keep below the increase in the RPI any increase in its prices for domestic rentals, local calls and other services of particular concern taken together. The Government accepts this approach but will want to give further consideration to the range of services to be included within the price limitation for example charges for installation and trunk calls. We will also be considering the period for which it should apply. BT will be obliged to observe the arrangement finally determined and the powers of the DG of Telecommunications under the Bill are adequate to ensure that it is complied with. These arrangements are aimed at securing a continuing improvement in BT's efficiency and a continuing reduction in the real cost of telephone services to the consumer across the country.

4. Professor Littlechild also says that competition is by far the most effective protection against monopoly. He sees his price limitation proposal as a safeguard only required until competition develops. The Government accepts this approach and accordingly I can now announce further initiatives to promote competition.

5. First, customers who have standard BT sockets will be free to purchase from any supplier the first telephone for connection to direct exchange lines. I will table an amendment to the Telecommunications Bill to give effect to this change. BT and the manufacturing industry need time to adjust, but I intend that by the end of next year all customers who want to exercise this choice will be able to do so.

6. Second, the maintenance of all new call routing apparatus will be opened to competition by persons approved by the Secretary of State. BT themselves will remain free to offer a maintenance service but on a fair, commercial basis. I intend to introduce an amendment to the Telecommunications Bill to provide for licensing of those maintaining call routing apparatus. I will also be consulting BT, the industry and other interested parties on the phasing in of these arrangements, which I expect to be completed within 3-4 years. The ending of the prime instrument monopoly and of BT's monopoly over the maintenance of call routing apparatus, means that the entire market for new telecommunications apparatus will be open to competition.

7. Third, the Government accepts that the current restrictions on Mercury's supply of international services should be eased. This will require discussions with other Governments. A study

on the provision of international services is nearing completion and after consultation with all interested parties, I will make a further statement. I would hope to be able to do so by the end of April this year.

8. Fourth, the Government accepts the principle of reducing restrictions on resale of capacity on private telecommunication circuits leased from BT and other public telecommunications operators, but I recognise that this could have considerable implications for BT's revenue. I will want to consider the terms and timing of introducing the changes after consultation with BT and other operators.

9. Fifth, the Government believes that competing public networks should have the right to interconnect on appropriate terms with BT's networks. But in return BT must have the right to charge operators such as Mercury and the 2 cellular radiophone networks access fees on a non-discriminatory basis which will contribute towards the cost of providing the national asset of countrywide local networks. BT's own trunk and international divisions should also be subject to access fees on the same basis . These access fees will generate a significant revenue for BT to cover emergency 999 services, which are free and any losses incurred on call boxes and other services particularly those in remote and rural areas. The access fees will safeguard the continued provision of these services without

subsidy from the taxpayer, thus maintaining the universal service.

10. The Government recognises the importance to the national economy of BT's vital role in telecommunications. We are phasing in these new measures of competition in step with progress towards moving BT out of the public sector and out of the present web of Government controls. This is an expanding and rapidly changing market, and the greatest benefits to Britain, the consumer and the telecommunications industry will come from fuller and fairer competition. The arrangements I have announced today will help achieve this.

SECRET

cc to Security: Intercept Part 4

10 DOWNING STREET

From the Principal Private Secretary

3 February 1983

Dear Jonathan,

TELECOMMUNICATIONS BILL: LITTLECHILD REPORT

The Prime Minister discussed with your Secretary of State, Mr. Baker and other Ministers and officials this afternoon the statement attached to your Secretary of State's minute of 2 February about the Telecommunications Bill.

The conclusion of the meeting was that the opening to competition of maintenance of all new call routing apparatus should be phased in gradually over a period of at least three years, and four years if possible. The Prime Minister asked your Secretary of State to arrange for the draft statement to be amended in consultation with the Home Office (Mr. R.J. Andrew), the Foreign and Commonwealth Office (Mr. P.R.W. Wright), and Sir Robert Armstrong and for a revised draft to be circulated with your Secretary of State's minute of 2 February as soon as possible.

I am copying this letter to John Halliday (Home Office), Brian Fall (Foreign and Commonwealth Office), John Lyon (Northern Ireland Office) and Sir Robert Armstrong.

Yours sincerely,

Robin Butler

Jonathan Spencer, Esq.,
Department of Industry.

CONFIDENTIAL

MR. SCHOLAR

TELECOMMUNICATIONS BILL: LITTLECHILD REPORT

Following the Prime Minister's meeting this afternoon, the statement attached to the Secretary of State's minute of 2 February below is to be revised in one respect. His office will be circulating a revised draft as early as possible tomorrow.

The Prime Minister has indicated in general that she is content with the proposal that Mr. Baker should publish the Littlechild Report and make a statement on these lines. In view of his earlier association with the subject, you may like to show the minute and the revised statement to Alan Walters. Provided that he is content, you could then write to Jonathan Spencer giving the Prime Minister's go-ahead.

Jonathan Spencer would find it useful to have a minute from the Prime Minister in the course of tomorrow if possible, copied to other recipients of the Secretary of State's minute, giving the go-ahead.

MS

F.E.R.B.

I think this is almost the best outcome we could have expected

AW 4/2

3 February 1983

~~cc~~ JV

(2)

Prime Minister

Patrick Jenkin is hoping to have 10-15 minutes with you tomorrow or Wednesday, to discuss the Parliamentary handling of this issue.* He will be looking out for you after the Vote at 10. I suspect it is an attempted bounce.

MCS 31/1

CABINET OFFICE
Central Policy Review Staff
70 Whitehall, London SW1A 2AS Telephone 01-233 7765

From: John Sparrow
CONFIDENTIAL

Qa 06237

28 January 1983

MT

*you may like to see the attached letter by Alan Walters on the subject.

The Rt Hon Patrick Jenkin MP
Department of Industry
ASHDOWN HOUSE
S W 1

Dear Patrick,

BT Regulation - Littlechild Report

I have now read Professor Littlechild's report which provides an excellent survey of a difficult issue. I am in broad agreement with his conclusions. In particular, the MRR, output-related tax and ceiling rate of return schemes all appear to have disadvantages which rule them out.

That leaves no explicit constraints (NEC) and Littlechild's suggested local tariff reduction (LTR) as the only runners. The report highlights the advantages of NEC on four out of five criteria but on the monopoly issue quite justifiably voices fears that NEC may provide inadequate protection, particularly for domestic and small business subscribers. It is tempting to argue that prevention of monopoly abuse could be handled by existing mechanisms in respect of BT as it is for other private sector monopolies, but I have to admit that I do not find the case convincing. LTR is an attempt to deal with this problem and in effect offers NEC, constrained only by a measure to hold local tariff increases at or below the rate of inflation. There is a danger that this will exacerbate the problem of cross-subsidisation within BT, in that the rate of return on local services is already low but it seems reasonable to believe that there is sufficient scope on the cost side to make LTR attractive both in terms of monopoly control and efficiency promotion. I am not sure that it would not be more clearly understood by customers and investors if it were expressed as a limitation on price

CONFIDENTIAL

increases in nominal terms, but a view on that would amount to a view on inflation rates which may be too difficult to foretell. A further possibility, which I commend, would be to express the maximum increase as a proportion of the increase in the RPI rather than at an absolute margin below the rate of increase in the RPI.

This would lead to the adoption in principle of the Littlechild proposals, tilted as far as possible towards NEC. This might be done by -

(a) removing all constraints to entry, to encourage competition. Littlechild recommends relaxation of the monopoly to permit resale of capacity on leased lines, international liberalisation and ending the prime instrument monopoly. I agree with these. I also consider that the possibility of introducing competition for voice telephony in cable networks should be looked at again. To limit this to Mercury will restrict competition unduly;

(b) ensuring against anti-competitive practices and monopoly abuses in the short term by providing for references to the MMC. The Bill and draft licences should provide for the Director-General of Telecommunications to acquire sufficient information to track the behaviour of BT. Consideration will need to be given to speeding up MMC references and strengthening the Commission to deal effectively with any complaints;

(c) providing some safeguard in the short term, say five years, for local subscribers, along the lines discussed above.

Although BT will have an effective monopoly over trunk and international operations while competition develops, it is unlikely that they will abuse this position for fear of being referred to the MMC or of Government intervention. However, it is important to encourage competition to develop, as it is to remove legislative and other barriers, and this will require further thought.

I am sending copies of this letter to the Prime Minister, the Chancellor of the Exchequer, Alan Walters and Sir Robert Armstrong.

Yours sincerely,

John.

Post & Telecom: Future. Pt 6

CONFIDENTIAL

MR. SCHOLAR

10 DOWNING STREET

The Right Honourable
Patrick Jenkin, MP,
Department of Industry,
Ashdown House,
123 Victoria Street,
London, SW1.

27 January 1983

Dear Secretary of State,

LITTLECHILD REPORT

In my view Stephen Littlechild has done a good job. His analytical work is sound, and he has brought to bear a great deal of experience from America and elsewhere. Yet the discussion is incisive and well directed towards the conclusions on policy. I think it is as good an account of the relative advantages of regulatory systems as we are ever likely to get. (I would describe it as masterly, were it not that I feel inhibited from heaping such fulsome praise on my old student!)

His criticism of the maximum rate of return method is quite devastating. It goes far beyond the many inherent faults which I, in my amateurish way, mentioned during last summer. It amply demonstrates the wisdom of the rethinking which has taken place over the last few months. Broadly speaking, if the maximum rate of return is effective it is bad; if it is ineffective then it is otiose.

His analysis of the Output Related Profits Levy covered a lot of ground in such a short time. (I must confess that I did not believe that it was a new idea when I put it forward! I thought that someone surely must have thought of this sort of control before.) But it is clearly a somewhat complex system and needs much more research before it is inflicted on suffering humanity. I agree, however, with Littlechild's finding that it scores quite well, and certainly much superior to the various versions of maximum rate of return, on all criteria except "understandability" to the City and the investor. I agree entirely with that judgement. But I think the ORPL has done its job in inducing further thought on the regulation system and in giving rise to the much improved present proposals.

I did take the opportunity to discuss with Littlechild the local tariff reduction scheme, before he completed his report. It meets most of our desiderata, and I think would be politically popular. There is, however, some additional work that needs to be carried out. It may be better, for example, to state the tariff reduction in nominal terms rather than in real terms; or it may be a good idea to state it both in nominal and real terms, taking whichever is the lower as the binding constraint. These sorts of possibilities,

/as well as

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as well as the actual numbers, need further exploration. Similarly, the requirement to supply services, such as call boxes and rural services, needs to be developed in detail. A policing method needs also to be outlined. But within the general framework I can see no difficulty in settling such matters. I suspect, however, that colleagues on E will want to have a fairly detailed account of both the promises on tariffs and the preservation of services.

I am copying this letter to the Chancellor of the Exchequer, John Sparrow (CPRS) and Michael Scholar here.

Yours sincerely

Alan Walters

ALAN WALTERS

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PN

MR. SCHOLAR

BRITISH TELECOM: THE REGULATORY FRAMEWORK

We shall shortly be looking at the Littlechild report on possible regulatory systems for a privatised British Telecom. I expect that Littlechild will show that my suggested regulatory system, with the output-related profits tax and little or no regulation of costs, price etc, as desirable in many respects. It will promote the growth of output, encourage cuts in price, etc. Indeed the one criticism that Littlechild has brought to bear, namely that it would result in greater oscillations of output, can easily be countered by rebasing the output measure each year.

Nevertheless, notwithstanding all these great advantages, my scheme has a crucial - perhaps fatal - disadvantage. The City don't like it. The reasons for their dislike, whether irrational or rational, are largely immaterial. The merchant banks are influential with institutions and could put a blight on the marketability of the stock. I am persuaded therefore that, if City opposition persists, then we should drop any suggestion of an output-related profits tax.

The output-related profit tax, however, has largely served its purpose. It has induced substantial, if not revolutionary, changes in the regime being promoted by the Department of Industry. They have dropped their original idea of a maximum profits tax, with its 100% marginal rate, and they are now very much more concerned to minimise the regulatory impact of their proposed new agency. I still believe there is considerable danger of over-regulation, however, even with the present ideas of the Department of Industry.

I have not been informed of the Department of Industry's timetable, for deciding on these issues. I know, however, that Littlechild is proposing to report before the Christmas break. Presumably the decisions will have to be presented to E Committee during the course of January.

6 December 1982

ALAN WALTERS

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Post & Telecomms   c/c JV

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JF2133
Secretary of State for Industry

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)

MLS 30/11

MT

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 ...

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 Adivsory 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.

Yours ever

Patrick

30 NOV 1982

Post & Telecomms
Future of:

OW

1) MCS
2) WR

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Ref. No: PIC(82) 7

TELECOMMUNICATIONS BILL

2nd Reading

Monday 29th November 1982

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Conservative Research Department,
32 Smith Square,
London SW1
Tel. 222 9000

Enquiries on this brief to:
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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 tranferred 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 ensures 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

*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 developoments in the scope of collective bargaining. <u>Much of the impetus for these developments has come in recent years from the negotiation of New Technology Agreements</u>. 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

	Voted with the Conservatives	Voted with Labour
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)
Debate on the Address, Nationalised Industries 10.11.81	Liberals abstained	Owen Rodgers Wrigglesworth
Transport Bill: British Transport Docks Board & BR Subsidiaries Second Reading 13.1.81	Brocklebank-Fowler (C) Liberals	Owen Wrigglesworth
Oil & Gas Enterprise Bill Second Reading 19.1.82		Owen Wrigglesworth Williams Liberals
Transport Bill: National Bus Company 9.2.82		Liberals Brocklebank-Fowler Owen Williams
Debate on the Address Public Enterprise 9.11.82	Liberals SDP	
British Shipbuilders Bill Second Reading 17.11.82		Owen Rodgers Williams Liberals

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LMR/CR
26.11.82