

PRIME MINISTER

Energy; Cross Channel Electricity
Link
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STATEMENTS ON TELECOMMUNICATIONS REGULATION AND CEEB VESSEL CHARTER

The House was fairly empty for both these statements.

Telecommunications

Stan Orme attempted to manufacture outrage on the grounds that Mr. Baker's statement directly affected Clause 3 of the Telecommunications Bill which the Standing Committee were still discussing. He called for the Bill to be suspended to allow time for discussion of the report and the Minister's statement. He said that the decision to allow competition on the prime instrument would put jobs in BT at risk, and would promote a flood of imports. He concluded that "Professor Walters' sticky fingers were all over this document". Opposition Members followed up the same theme, but also called for an assurance that rural services would not be put at risk.

Kenneth Baker had no trouble in dealing with Questions. He pointed out that the Government had always promised to publish the Littlechild Report, and that Mr. Orme had himself demanded its publication last week. There had been 80 hours of debate in Committee; the Opposition had made filibustering speeches of five hours in length; there were another 20 groups of amendments to be taken on Clause 3; and it was right that the Committee should continue to meet to discuss the Bill. The decision to allow competition on the prime instrument would extend consumer choice, and there was no evidence that it would lead to a flood of imports. It was a nonsense to say that only a public monopoly should be allowed to supply these instruments: why should the privilege of competing for jobs not be extended to the private sector? There was

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an obligation on British Telecom to provide telephony and telecommunications services. The access fees that BT would be able to charge competing public networks should generate enough revenue for BT to provide emergency, call box, and rural services. He felt Professor Littlechild was right to concentrate on price reductions since this was the area in which BT's monopoly power was felt most keenly by the public. The cuts in trunk rates made by BT showed the benefits of opening up the Corporation to competition.

CEGB Charter

John Moore had a slightly more difficult time. John Cunningham said that the shipbuilding industry was facing severe recession, and it was astonishing that a public Board had used public money to finance work in a Korean yard. He asserted that British Shipbuilders had not been given a chance to submit a detailed tender; that there had been no consultation with the Department of Industry; and that the CEGB were simply paying to the broker a sum equivalent to the capital cost of building a ship. He suggested that the French utilities involved in laying the cross-channel link had ensured that their cable-laying work had gone to French yards. The whole episode was a "stab in the back" for British shipyard workers.

John Moore said that there had been contacts with the Department of Industry, the Offshore Supplies Office of the Department of Energy and between the Chairman of British Shipbuilders and the CEGB; the tender had been conducted in the normal manner, and BS had been given full opportunity to make their views known; the CEGB had recognised its obligation to buy British where possible by repeating the tendering process when the first tender had failed to produce a suitable UK bid. He was not responsible for the French

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Government's policy, but he understood that their utilities were chartering a Norwegian vessel for conversion in Marseilles. He emphasised that the CEGB were chartering, and not buying, this ship; that the cost of the contract was only 4 per cent of the £250 million UK share of the cross-channel cable contract; and that the Opposition should consider the effect on electricity prices of accepting a tender from a UK yard which was 50 per cent higher than the Korean tender. He quoted the MMC report which said that the CEGB generally pursued a buy-British policy where possible, and which reached the conclusion that the Board's "costs could have been lower".

The most difficult moment for Mr. Moore came when Anthony Nelson gave some support to the Opposition by questioning the Government's line on this contract.

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7 February 1983

Telecommunications Policy

3.30 pm

The Minister for Industry and Information Technology (Mr. Kenneth Baker): With permission Mr. Speaker, I will make a statement about telecommunications policy.

After privatisation, British Telecommunications should be able to develop and diversify in a dynamic manner not only in the area of existing telecommunications services but in the new information technology systems on a world-wide basis. This should benefit the customer, the country, investors, BT and its staff. The Government recognise 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 right 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 Littlechild's report is being published today and copies are available in the Vote Office. The Government are grateful to Professor Littlechild for undertaking this important task.

Professor Littlechild has made two 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 five 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 accept 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 shall also be considering the period for which it should apply. It will be important that the precise formula should be seen to be soundly based and fair both to the consumer and to BT. BT will be obliged to observe the arrangement finally determined and the powers of the Director General 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.

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

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 shall 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.

Secondly, the maintenance of all new call routing apparatus will be opened to competition by persons approved by the Secretary of State. BT itself 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 shall also be consulting BT, the industry and other interested parties on the phasing in of these arrangements, which I expect to be completed within three to four years. The ending of the prime instrument monopoly and of BT's monopoly over the maintenance of all call routing apparatus, means that the entire market for new telecommunications apparatus will be open to competition.

Thirdly, the Government accept 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 interested parties I shall make a further statement. I would hope to be able to do so by the end of April this year.

Fourthly, the Government accept the principle of reducing restrictions on the 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 shall want to consider the terms and timing of introducing the changes after consultation with BT and other operators.

Fifthly, the Government believe that competing public networks should have the right to interconnect on appropriate terms with BT's networks. In return BT must have the right to charge operators such as Mercury and the two cellular radiophone networks access fees on a non-discriminatory basis, which will contribute towards the cost of providing the national asset of our country-wide 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.

The Government recognise 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 that I have announced today will help achieve this.

Mr. Stanley Orme (Salford, West): The Minister's statement has been made against the background of the Telecommunications Bill—a major measure—clause 3 of which is being debated in Committee. We were promised a draft licence by the Government, but did not get it. We were given only an outline. We have had three publications from the Government, called "Ringing the Changes", which have added confusion to the debates on the Bill. Does the Minister not think that to introduce Professor Littlechild's report in the middle of our consideration of the Bill is unprecedented in parliamentary terms?

The foreword to the report says that Professor Littlechild

"shall study and evaluate proposals to regulate BT's profitability, having regard to the objectives set out in Clause 3 of the Telecommunications Bill".

offer comparatively cheap tickets in addition to very expensive ones so that people of modest means can go to the Royal opera house.

Mr. Whitehead: In view of the Rayner connections of this group, will the right hon. Gentleman urge upon it that it does not follow the unhappy precedent of the recent Rayner report on the Victoria and Albert museum and that it visits the various institutions that it is surveying while they are open? will accountants' or consultants' fees that stem from this exercise come only after tendering for the work that has to be done?

Mr. Channon: No. I think that it has been decided who will undertake the scrutinies, as is the normal practice. Without accepting what the hon. Gentleman said about the scrutiny of the Victoria and Albert museum, I can assure him that the scrutineers have every intention of making exhaustive visits to both organisations.

Arts Council (Touring Budget)

25. **Mr. Silvester** asked the Secretary of State for Education and Science whether any changes have been made by the Arts Council in the touring budget following his statement of 20 December 1982, *Official Report*, column 664-5.

Mr. Channon: The current allocation for touring in England in 1982-83 is £7.5 million, including an additional sum of £400,000 provided from the supplementary grant announced on 20 December 1982. The touring budget for 1983-84 is £7,865,000.

Mr. Silvester: I congratulate my right hon. Friend on his care about touring. Does he recognise that one of the distressing aspects of the saga of the visit of the Royal opera house to Manchester was its on-and-off nature, despite the great deal of investment and commitment that the operation received? Is he prepared to say that with the new arrangements people will be able much more to rely upon the visits taking place instead of the previous rather doubtful prospect?

Mr. Channon: I understand my hon. Friend's concern. I am pleased to say that the Royal opera company has been able to announce that its visit to Manchester will take place later this year. We must all hope that it will be a tremendous success. Future plans will be discussed in detail with everyone concerned, including the Greater Manchester council and the city of Manchester. I hope that we can avoid future uncertainties in this way.

Mr. Whitehead: Bearing in mind the outrage in greater Manchester when the Royal opera house originally called off its visit, does the right hon. Gentleman agree

that we should say publicly in the House that we think it should be an annual obligation on the national companies to tour in this way, and that they should not merely return to touring when they have been bailed out by the payment of a one-off sum?

Mr. Channon: Most of the national companies tour extensively. The Royal opera house has special problems, including enormous costs. There are those who consider that the money could be better spent than on tours by the Royal opera house. I accept that the national companies have an obligation to tour.

Arts Council (Theatres Grant)

26. **Mr. Greenway** asked the Secretary of State for Education and Science what was the total Arts Council grant to theatres in the last year for which figures are available.

Mr. Channon: The Arts Council estimates that its grants to theatres in Great Britain in 1982-83 will total just under £26.3 million compared with the previous year's total of nearly £23.1 million.

Mr. Greenway: I welcome the increase that my right hon. Friend has mentioned and I thank him for it. Does he agree that the Royal Shakespeare company has given outstanding service to the arts in both London and Stratford on Avon and in tours around the world? What specific help is the Arts Council giving the company in grants this year?

Mr. Channon: I agree entirely with my hon. Friend about the Royal Shakespeare company. Last year it received an extra settlement of £850,000 from the supplementary grant that I announced on 20 December 1982. It is to receive grant this year of £3.6 million as opposed to £3 million last year. Extra money has been made available to it, exceptionally, of nearly £1½ million.

Mr. D. N. Campbell-Savours: Is it not true that there is a clear emphasis in allocation of Arts Council grants towards the more affluent areas, leaving the industrial areas very often culturally deprived? What will the Minister do to redress that imbalance, particularly as the quality of life is so closely linked to the pursuit and support of the arts?

Mr. Channon: I do not accept the hon. Gentleman's premise. He may be interested to know that this year the basic grant for the northern area was £1.72 million, which was a rise of 11 per cent. over last year, and that in addition it received a further £60,000 in supplementary grants. There has thus been a substantial increase for the North.

We have been discussing clause 3 for several sittings of the Committee, and the Minister now has the affrontery to introduce the report in the middle of those discussions.

The Minister probably saw the report yesterday in one of the Sunday papers about the confusion over pricing policy and whether the consumer might be subsidising sections of industry. We wish to discuss pricing and Professor Littlechild's complicated and detailed proposals in some detail. We feel it is wrong for the Minister to produce this report today and expect the Committee to go ahead tomorrow.

By breaking the prime instrument monopoly the Minister is, in effect, allowing outside contractors to provide the prime instrument, while still using the network. Will this not create confusion over breakdowns and repairs? Who will be responsible? What about the effects on jobs for thousands of workers in BT? Will not imports flood in? What has the Secretary of State to say about that? This measure is an open invitation to imports to flood in.

What effect will allowing Mercury on to the international market at this early stage have on BT's finances and future prosperity? May we have more details about the resale in relation to private telecommunications? Will someone be able to buy a series of outlets and relicence them? Will there be any control of those prices? How will the Government monitor that? A major change to the Bill is proposed. The Minister says that he will move amendments in Committee. This measure will further dismantle a crucial part of the public sector, and we see Professor Walters' sticky fingers all over this document. Indeed, he was probably the motivating force behind Professor Littlechild's appointment.

We want parliamentary time to discuss the Littlechild report, and therefore we ask that consideration of the Bill be suspended so that we can discuss this issue. It involves a major British industry and affects 250,000 workers. It also affects the telecommunications system of the United Kingdom. The hon Gentleman has dropped this report on the House when the Bill is in the middle of its Committee stage, and he therefore has no right to proceed with the measure. We ask him to withdraw the Bill.

Mr. Baker: The right hon. Member for Salford, West (Mr. Orme) has pressed me consistently in Committee for more information, and I have assisted the Committee by providing an almost unparalleled amount of information for our discussions upstairs. Only last week he demanded that I publish the Littlechild report. On Second Reading my right hon. Friend the Secretary of State for Industry said that we had asked Professor Littlechild to report and that we would publish the report.

I remind the right hon. Gentleman that there have been more than 80 hours of debate in Committee. We have been subjected to speeches lasting as long as five, four and three hours. An outrageous filibuster has been going on upstairs. So far we have debated only three groups of amendments to clause 3. There are another 20 groups of amendments to clause 3 to debate. It so happens that we are approaching the pricing part of clause 3, and so it is entirely appropriate that the Committee should meet tomorrow to debate this subject further.

The right hon. Gentleman says that this measure represents a major change of policy, but it is an extension

of the policy that my right hon. Friend the former Secretary of State for Industry announced in July 1980, and which I extended in July 1981.

The right hon. Gentleman asked me various questions about the prime instrument. After the Bill has been enacted, the choice available to consumers will become greater as more sockets are fitted by BT. Consumers will be able to choose whether to buy or rent, and they will be able to buy from whoever they want. I do not see how that can damage our system. Indeed, the measure represents an extension of choice and competition that will benefit the industry.

The right hon. Gentleman asked whether there would be a flood of imports. Since the approvals system was set up 18 months ago there have been about 32 approvals involving 12 companies in relation to telephone hand instruments. The right hon. Gentleman should know that 11 are manufactured entirely in the United Kingdom, that 15 are manufactured substantially in the United Kingdom and that six are modified to be manufactured in the United Kingdom. Therefore, as a result of the policy there will be work for people in the United Kingdom.

The right hon. Gentleman also asked me about Mercury, I shall make a statement by 30 April on the changes on international access for which Mercury has asked and which we shall grant on the international lines. Resale is a very important issue and I shall need time to consider the terms and conditions. However, it is regrettable that the right hon. Gentleman's reaction should be to say that only the public sector and a state monopoly can provide such services. That is just not so. The right hon. Gentleman cannot accept that services can improve as a result of competition and choice. Why should it be the exclusive privilege of BT and its employees to provide such new advanced services? Surely that privilege should be extended to other workers, companies and operations.

Mr. Michael Marshall (Arundel): Will my hon. friend accept that his statement is of the greatest importance and that we shall naturally want to study the Littlechild report in detail? At first hearing it would seem that the domestic competition under Littlechild presents the system in this country with a fair and reasonable opportunity to grow and flourish. I declare an interest in Mercury Communications Ltd. Does my hon. Friend accept that international switching is vital if fair and free competition is to be extended into that area as well?

Mr. Baker: I agree with my hon. Friend. For some time—for more than a year—Mercury has been asking for access to switched international services. Professor Littlechild recommends that. I shall make a further statement on that policy within the next three months.

Mr. Geraint Howells (Cardigan): I am sure that the Minister is well aware that those who live in rural areas are very worried about the privatisation of BT. Will the hon. Gentleman give an assurance both to the House and to those who live in rural areas that the service will be kept intact? If the Minister cannot get all the fees required from the access service, what will happen to the rural kiosks?

Mr. Baker: In Committee, the hon. Gentleman's fellow countryman—although not his fellow party member—the hon. Member for Caernarvon (Mr. Wigley) has been very eloquent in representing the views of rural and remote areas. We gave the Committee assurances on

[Mr. Baker]

this issue repeatedly last week. There is an obligation on BT plc to provide a universal telephone service. The obligation goes wider than that and extends to telecommunications services. That is not included in the present Act. That obligation will have to be policed not only by BT—as it is now—but by the Director General of OfTel. Indeed, the Secretary of State also has a responsibility to ensure that that universal service is provided.

The hon. Gentleman asked about services in remote and rural areas, but BT is unable to say whether it makes money—such is the state of the allocation of cost accounting within BT. The latest indication from BT is that the remote and rural areas contribute profits to the centre, because the systems are often easier and simpler to run than complicated city systems. To the extent that money may be lost, the access fees will be set at a level that will ensure that BT's social obligations are met. All those with a telephone or telephone service now can be assured that it will continue. Indeed, I refer the hon. Gentleman to the long debates that were held last week in Committee on this issue.

Mr. Michael Grylls (Surrey, North-West): Does my hon. Friend accept that we cannot move too fast to increase competition in the telecommunications industry, and that the more he does the greater consumer choice will be and the more jobs will be created in new firms?

Mr. Baker: I entirely accept that. The speed with which we are moving should be recognised. In four years we have moved significantly to broaden competition from a position in which BT had total dominance in standard setting, equipment approval, equipment supply and the issuing of licences to would-be competitors. That has had a good effect on BT. It is reported on all sides that BT has become much more conscious of its consumers and subscribers and does not take them for granted. That in itself is good, quite apart from the effect on Britain's domestic industry.

Mr. Ian Wrigglesworth (Thornaby): Professor Littlechild's report recommends that BT should be obliged to keep price increases below the retail prices index for five years. The Minister has told the House today that the Government accept that approach. Does that mean that BT's prices will not increase by more than the RPI during the next five years, or do some of the Minister's other words mean that is not the case?

Secondly, will the Director General of OfTel have any say on prices? When will his office be established? What involvement will he have in considerations of this nature?

Mr. Baker: Needless to say these matters have been well covered in debate upstairs, the appointment of the Director General of OfTel and the establishment of the office will depend upon the progress of the Bill through the House.

On prices, Professor Littlechild recommends that the Director General concentrates on the two areas where there will be a virtual monopoly—domestic rentals and domestic tariffs. For most domestic consumers that is the main part of their bill. Prices should be limited to ensure that they do not increase more rapidly than the RPI. They will increase over five years by RPI minus a certain

amount. That means that after privatisation the ordinary telephone subscriber can look forward to his bill going up by less than the rate of inflation. There is a real cost reduction.

Mr. Peter Hordern (Horsham and Crawley): Will British Telecom have the sole right to test telephone equipment? Has my hon. Friend's attention been drawn to an article in *The Economist*, which said that one small firm that wanted to try out a PABX system was to be charged £30,000 for it, in contrast to the American system, where about \$1,500 appears to be the charge? What is the position?

Mr. Baker: When the approval system was set up, the only test laboratories were those of BT. It had the only testing engineers and the only test approval systems—and, of course, no standards existed. During the past 18 months, with the assistance of the British Standards Institution, we have commissioned a series of standard writing exercises which have now been approved for much of the telephone apparatus. A separate test laboratory is being set up by the independent board to test the equipment, because it is inappropriate for BT to test equipment from its competitors. We are trying to accelerate that process as much as we can. I ask my hon. Friend to appreciate the fact that one cannot overnight end a monopoly that has lasted for 70 or 80 years. We are moving at a very fast pace, and I want to reach my hon. Friend's objective just as quickly as he does.

Mr. Dafydd Wigley (Caernarvon): Will the Minister confirm that paragraph 14.7 of the report suggests three specific modifications to the Bill now in Committee, and that one of them concerns the possibility of funds from the Government to help to relieve the costs of "public call box services, emergency services and services in rural areas"?

As the Government rejected amendments in Committee to that end, will he now say whether the Government are prepared to consider the matter further in the light of this report?

Mr. Baker: The debates that we are likely to reach tomorrow on clause 3(1)(b) will cover both those recommendations and whether there should be an Exchequer subsidy for the social obligations imposed on BT. We believe that the system of access charges, which I briefly sketched this afternoon, will provide a significant and substantial revenue to BT, which will reward BT for the fact that it has extensive local domestic networks. Anyone who wants to plug in to Mercury, Hull, and the radio telephone networks will have to pay that access fee, and the revenues from that will go to meet the social obligations of the call boxes, emergency services, and any other social obligations.

Mr. Timothy Smith (Beaconsfield): Is it not preposterous that the right hon. Member for Salford, West (Mr. Orme) complains about the length of time that we have spent in Committee on the Telecommunications Bill when he and his right hon. and hon. Friends have been conducting the most outrageous filibuster, and when after 80 hours, we have reached only clause 3?

As the main purpose of regulation, according to the Littlechild report, is to protect domestic and small business subscribers against BT's dominant market position, is there not a certain undeniable logic to the local tariff

reduction scheme as proposed by Professor Littlechild? Will not the Government's proposals restrict monopoly, promote competition, and above all, protect the consumer in a very effective manner?

Mr. Baker: Yes. My hon. Friend has put it very well. Professor Littlechild's proposals, by concentrating on the domestic area, where there is a monopoly, and by imposing a limitation of price there, is concentrating on the area that affects most people, where there is a monopoly, and where BT must not be allowed to charge what it wishes. The corollary, of course, is that there should be competition in the other services, the trunks and international, and competition has already reduced prices there. Trunk rates were cut in 1981 and in 1982. I do not believe that those cuts would have taken place if we had not pursued the policy in telecommunications that we have pursued since 1980.

Several Hon. Members *rose*—

Mr. Speaker: Order. If hon. Members are brief, I propose to call those hon. Members who have been rising from the beginning, and then the Front Benches.

Mr. Ken Eastham (Manchester, Blackley): As a result of the Minister's statement this afternoon, have any estimates been made in his Department of imports of telephone equipment?

Mr. Baker: The hon. Gentleman is far too pessimistic. If he believes that as a result of competition we shall be flooded by imports, that is a grave reflection on the telecommunications industry in this country. We have a substantial telecommunications industry, but because of the rather cosy relationship between that industry and BT it has not been as forceful and competitive as it could have been. However, during the past 18 months it has responded vigorously. It has introduced new models, which have been competitively priced, and the market is beginning to take off again.

Mr. Richard Page (Hertfordshire, South, West): I congratulate my hon. Friend and his Department on their positive reaction to the Littlechild report. On the matter of opening up the market to international competition, will the negotiations be undertaken by his Department, Oftel, BT, or the companies involved?

Mr. Baker: They will be undertaken by my Department in discussions with BT and Mercury.

Mr. D. N. Campbell-Savours (Workington): Despite the fact that the Minister said that there is a weighting in approval, will he assure us that the weighting in terms of imports is the reverse of what he said before? Will he also say what downstream support he is giving to telecommunications equipment producers in the form of sectoral aids, over and above what is already available from the Department of Industry?

Mr. Baker: The answer to the hon. Gentleman's latter question is that the telecommunications operators, the major companies in this country, qualify for general support under our support for innovation. For example—here I speak from memory—they applied for support in the development of fibre optics and optoelectronics. On the question of weighting in favour of domestic manufacturers, because three or four years ago BT had such a grip on the market and the approvals procedures, we had to set up an interim approvals

procedure, which has been regulated by my Department. In that interim approvals procedure we have given precedence wherever possible to those pieces of equipment that either are made or will be made in this country.

Mr. Tim Eggar (Enfield, North): I give a particularly warm welcome to the decision to provide increased competition for supply and for BT. Is my hon. Friend satisfied that the provisions relating to price increases and the RPI are right? Is it not possible that BT is already getting too high a return? Is it not further possible that there will be technological changes that will decrease the costs of providing the service? Therefore, should not the Director General have a right to look at costs as well as to expect increases below the RPI?

Mr. Baker: Yes, indeed. In setting the access fee, the Director General will have the right to look at costs and be able to make determinations arising from the costs. The lesson of the American experience in the regulation of public utilities and prices and profits has led me and Professor Littlechild to believe that the system in America is breaking down—and has, in effect, broken down—and that the system of cost allocations and of trying to determine which parts are profitable do not work. Professor Littlechild has devised a new, and, in my opinion historically important, method of controlling the price of what, in effect, is a private monopoly.

Mr. Gerry Neale (Cornwall, North): I join in the congratulations to my hon. Friend. It is because he refuses to close his mind to new reports and comments that he is earning increased respect on the Conservative Benches. Will he nevertheless be alerted by the fact that following three years of sustained argument from the telecommunications industry that there should be greater competition in prime instrument policy and maintenance, he is now likely to come under immediate pressure to try to make the period of phasing shorter and more definite, to ensure that suppliers can offer immediate choice to the consumer?

Mr. Baker: I appreciate my hon. Friend's impatience. I have tried in this whole area to move as quickly as I can. If one can improve on the period of 18 months or two years in relation to the prime instrument and a completion period of within three or four years on maintenance, following discussions with the industry I shall see what can be done.

Mr. Gary Waller (Brighouse and Spensborough): Does my hon. Friend recognise that the more forward-looking managers within BT are anxious that BT should respond to the new challenges and welcome the opportunities presented to them? Is it not regrettable that a great deal of misleading information is being circulated among employees of BT, leading to unjustified fears?

Mr. Baker: I hope that the fears are unjustified. Many people in BT recognise that this is such a rapidly changing and expanding market that they should seize the opportunities. It is no way to seize opportunities to act in a dog in a manger fashion. We are creating opportunities and choice on an unprecedented scale.

Mr. Richard Shepherd (Aldridge-Brownhills): The Littlechild report specifically says that the prevention of excessive profits to shareholders is not a relevant consideration. Is my hon. Friend convinced—I take up the point of my hon. Friend the Member for Enfield, North (Mr. Eggar)—that this is the best way of ensuring the lowest possible prices for consumers, and also that the rate

[Mr. Richard Shepherd]

of return is reasonable and fair? Should not these duties be laid upon the Office of Telecommunications in the Bill rather than peripherally by way of licence?

Mr. Baker: I am asked whether I consider the Littlechild approach is fair in concentrating price limitation on a local tariff index as opposed to a profit ceiling. My hon. Friend will find that Professor Littlechild deals with this matter in detail. He also deals, in paragraph 14.6, with the possibility of having local tariff index control and profit control as well. He concludes that "to impose a profit ceiling on a local tariff reduction scheme is both unnecessary and undesirable."

I appreciate that there will be different views on this aspect of Professor Littlechild's report. I believe that he sets out convincing reasons why we should accept his recommendations. I assure my hon. Friend that the Director General of Oftel will not have a supine role. He will have a monitoring role. The whole purpose of Oftel, apart from improving the consumer interest, is to monitor the licence.

Mr. Orme: Does the Minister agree, following the exchanges on a very complicated report, which hon. Members have not had a chance to read in detail, that, before proceeding tomorrow morning to deal with clause 3 of the Telecommunications Bill we should have time to study the report? Is he aware that clause 3 is referred to in the report and is central to some of Professor Littlechild's recommendations? Does the Minister agree also that he has never talked about a filibuster upstairs and that when my hon. Friend the Member for Newcastle-under-Lyme (Mr. Golding) made an extensive and well-reasoned speech he congratulated my hon. Friend?

Mr. Baker: I was following the normal courtesies of the House. The right hon. Gentleman has not appreciated the sense of gratitude, expressed in my voice, that a six-hour speech came to an end. I assure the right hon. Gentleman that there will be opportunities tomorrow and in the coming debate on the Bill upstairs to discuss these matters fully. I want them debated fully. I want them debated extensively. We should start tomorrow.

Cross-Channel Electricity Cable

4.5 pm

The Under-Secretary of State for Energy (Mr. John Moore): With permission, Mr. Speaker, I wish to make a statement. In connection with the 2,000 MW cross channel electricity cable project, the Central Electricity Generating Board sought competitive tenders from a number of British shipping firms for the hire of a vessel to lay cables between England and France. The lowest tender was submitted by a British firm, International Transport Management, of Middlesborough, from which the vessel will be chartered. I would emphasise that the cable-laying barge will not be purchased or owned by the CEGB, but by the British firm concerned.

The CEGB must of course be conscious of its obligations to provide electricity as cheaply as possible. As a nationalised industry, it is also conscious of the Government's wish that, wherever possible, it should buy British.

However, when the CEGB received the first tenders for this project some months ago, the price differences were so great it appeared inevitable that the shipbuilding work would go abroad. The board, naturally concerned over this, then asked the firms to tender again, and expressed a clear preference—other things being equal—for vessels supplied by United Kingdom yards.

Regrettably, the second tenders showed such a huge price difference that the board had no choice but to accept the bid from ITM, involving the construction of a vessel in a Korean yard. Other bids to the CEGB, I understand, were at least 50 per cent. higher.

The Government do, of course, provide financial assistance to help United Kingdom shipbuilding firms to gain orders, but even with Government assistance the difference in bids would have been unbridgeable. Hon. Members who have repeatedly stressed the importance to industry and consumers of low-cost electricity will understand this decision.

Questions on the shipbuilding industry, including matters relating to assistance from the shipbuilding intervention fund are, of course, matters for my right hon. Friend the Secretary of State for Industry.

Dr. John Cunningham (Whitehaven): I thank the Minister for making the statement. Is it not astonishing, in the middle of the worst slump in shipbuilding this century, that a British publicly financed board should be involved in a contract to spend British taxpayers' money to build a vessel in a Korean shipyard?

I wish to ask the Minister a number of specific questions. Is it correct that ITM at no time invited British Shipbuilders to make a detailed tender for this work? Is it also correct, notwithstanding what the Minister says about the ownership of the vessel, that the CEGB engaged naval architects to draw a detailed and complex specification for this vessel, which was tantamount to meaning that it was designing the vessel for its own particular purposes? Is it also the case that, in terms of the financial arrangements of the deal, the CEGB contribution will be a capital expenditure contribution? Does this not reinforce the point that it is paying for the vessel to be built?

Will the Minister say what the French utilities are doing to fulfil their part of the contract for the cable laying? Will not all their contracts be placed in France? Will he explain