

CONFIDENTIAL

Part 3 Telecomms

Prime Minister 4

MR. RICKETT

c.c. Mr. Scholar
Mr. Mount

*Mr Jenkin will be reporting to
you shortly on his discussions with BT,
but I think you will find this news
encouraging.*

WM 20/5

BT TARIFFS

We had a word earlier today about the Prime Minister's desire to see changes in BT's tariff structure which would enable those such as pensioners who make infrequent calls, but have a high degree of need for a telephone, to be able to afford to maintain a set.

The Prime Minister may wish to know that BT told Mr. Jenkins this afternoon, in the course of a presentation of their medium-term plan, of their intention to propose an alternative to the present ratio between standing charges and tariffs, which would offer the option of lower rentals and higher charges with a "cross-over point" at 1 unit per day (i.e. anyone expecting to make less than one local call each day would benefit). BT estimate that between 2 and 3 million people might accept this tariff.

Before going firm on this proposal, I think we would be well advised to look both at its timing - I suspect that its public impact will be soon forgotten - and at BT's wider proposals for their tariff structure. I will not trouble you with the details now, but BT's proposals for rebalancing and de-averaging, designed to get away from cross subsidisation, will have a considerable effect, largely by raising the cost of domestic tariffs relative to business and long distance.

20 May 1982