

Prime Minister ②

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MR TURNBULL3 August 1984THE MERCURY LICENCE

The new Mercury licence issued under the 1984 Telecommunications Act was published on Monday. There will now be a statutory period of public consultation until 17 September.

The licence requires Mercury to service 15 key cities in England within 2 years. This broadly coincides with the figure of 8 fibre optic loop which the company is constructing. Beyond that the licence proposes that Mercury extends its activities in a way which is practicable and consistent with sound commercial development of its network.

We are pleased that the licence does not require Mercury to build a national telephone network within a specified period. It is not for Government to attempt to second-guess the commercial success of Mercury. If DTI had insisted on this condition, it is almost certain that the Mercury shareholders would have withdrawn.

We do hope, of course, that Mercury will develop into a national network but that progress towards this end must depend upon commercial judgement. We are confident that Mercury do intend to enter the big league and appreciate the scale of investment which will be required.

The other major issue which affects Mercury's ability to compete with BT is Interconnect. A satisfactory principle is contained in the BT licence and BT and Mercury have signed a Heads of Agreement.

Mercury's licence also differs from BT's in several other important aspects:

- because of its market position, the RPI-3 price regulation formula does not apply to Mercury;
- Mercury can compete in Hull where BT is excluded;
- Mercury must notify the Secretary of State of changes in control of its share capital.

Although negotiations have been long and difficult, this is a satisfactory outcome. Mercury themselves are well content. They now have every opportunity to develop into a competitive alternative to BT.

D.P.

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