

THE CHANGE FROM A DEPARTMENT OF STATE TO A PUBLIC CORPORATION

Due to its immense size it would have been impossible for the Post Office to have changed in a few years from a Government Department into a Private Corporation. The special case of the Post Office as a commercial organisation was first recognised by the Bridgeman Report of 1932. The arrangements then introduced were suspended during the War. By the early 1950s it was clear that the existing arrangement was not satisfactory and in 1955 it was agreed that the Post Office should be responsible for balancing its income and expenditure and it was encouraged to conduct its business as a commercial enterprise. Prior to this ruling the Post Office had to pay all its revenue to the Exchequer and all expenditure had to be voted by Parliament in Annual Estimates, and the Treasury had control of all such monies. So now there were two sets of bookkeeping to be done, the new Commercial Accounts, and the old Cash Accounts which did not reflect the true financial position of the Post Office but had to meet the Parliamentary regulations. With the introduction of the Commercial Accounts it was shown for the first time the overall trading position for the year, and the profit or loss of the various services.

With the experience gained from the new business attitude it was decided in 1961 to separate the Post Office from the Treasury.

At the heart of the Government's proposals was the establishment of a statutory Trading Fund for the Post Office. This Fund was quite separate from the Exchequer, and the Treasury had no responsibility for it. It was managed by the Postmaster General. All Post Office receipts were paid into it and all payments met out of it. The "Commercial Accounts" were the only accounts now kept, they were used to determine the Post Office financial policy, including the fixing of charges.

In practice the Treasury still had some say in the financial affairs of the Post Office, they had control over:-

- a. Pay, grading, and conditions of service of staff (they were still civil servants)
- b. Investment control, including control of borrowing for the purpose of financing it.

c. Foreign exchange control.

The Post Office was required by statute to secure that its revenues should not be less than sufficient, taking one year with another, to meet its outgoings properly chargeable to revenue account.

The Post Office was still answerable to Parliament through the Postmaster General and its commercial accounts were subject to scrutiny by the Public Accounts Committee.

Up to 1966 the Post Office consisted of two major public utilities:- the Posts, and Telecommunications, and in 1966 it:

- a handled transactions to a total value of £7,900 million,
- b invested £210 million, or more than any other public undertaking except the Electricity Supply,
- c dealt with 11,300 million letters and 6,900 million telephone calls.

At the end of the financial year the written down value of its fixed assets were over £1,400 million. Its staff formed nearly 2% of the working population, or about half the non-industrial Civil Service.

In view of the importance of these trading operations the Government carried out a fundamental review of the Post Office and compared its present business structure with the known needs of the future. The Post Office was at that time still a Department of State geared to Government Policy and the discharge of ministerial responsibility to Parliament. In a White Paper (Cmd 3233) issued in March 1967 it was proposed to create a Public Corporation to run these great businesses each with structure and methods designed directly to meet their own rate of growth and needs. There was to be two main sections, the Postal, and the Telecommunications (continuing the Postmaster General's Monopoly of Telegraphs from 1869).

Cables and their associated work came under the Telecommunications section, and it is this path that we will follow. Prior to 1967 the ownership of these vessels was invested in the Postmaster General in trust for the Sovereign as "Beneficial Owner" of these vessels. The Engineer-in-Chief was authorised by the Postmaster General to commission the cables for such operational requirements as he considered necessary. Up to this time the prefix "Her Majesty's Telegraph Ships" (HMTS)

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had been used to each vessel's name, e.g. HMTS Monarch. Under the Public Corporation, with no Postmaster General but answerable to a Minister of the Crown, the prefix became "Cables" (CS) e.g. CS Monarch.

The Merchant Shipping Acts (and Board of Trade orders issued under these Acts) did not normally apply to Government owned vessels. The Post Office cables enjoyed this Crown exemption as well as exemption from Harbour dues, and compulsory pilotage charges. Also, as a Crown vessel, they received preferential treatment by the authorities in foreign ports.

Vesting Day for the Corporation was 1-April-1969, and from this date cables were no longer Crown vessels. This was not the only change, and in the few years before vesting day many committees sought the answer to many complex problems.

The Registration of Cables proved to be a little difficult to resolve. The problem was this, on the "Appointed Day" (that is the day when the Corporation begins life) the new Post Office Corporation's cables would not be exempt from the Merchant Shipping Acts, and so they had to be registered in readiness for that day. This Corporation would not exist before the appointed day and so could not, as owner of them, register these ships before that day. Neither could the Post Office Corporation register the ships for the new owners as they did not legally exist till 1-April-1969! After many meetings with H.M. Customs and Excise, and the Board of Trade an Order in Council under section 80 of the Merchant Shipping Act 1906 was seriously considered and rejected. Another possibility was to have "Transitional Provisions extending for 12 months after Vesting Day" entered into the Bill during which time the transfer of ownership could have been arranged. This would have been embarrassing to the Post Office as it was necessary to have the ships surveyed by the Board of Trade during their annual refit to determine what modifications were necessary to bring them into conformity with Board of Trade Standards. The indications were that whilst the Monarch and the Alert required little or no such modifications, the modifications to both the Anel and the Iris were likely to be extensive (Costing around £30,000 each). It was considered that scrapping one of the latter two vessels and applying modifications to the other might be the answer. Plans for replacing these two smaller ships were well advanced (this is discussed in chapter 17) but did not in fact take place till 1975-6. In the event - in view of the known short life remaining as cables - simpler modifications were accepted. The final solution to this problem was much simpler than originally thought. Following further discussions with the Customs and Excise, the Chief Registrar of Ships drew up a schedule of events to get the cables registered within one or two days after Vesting Day. It meant that for 48 hours the ships were not registered and could not enter or leave port in this period, though

there was no problem if they were in international waters. By the 3rd April all our cables were registered as belonging to the new Public Corporation.

The Chief Marine Superintendent (I. R. Finlayson) was very keen for the cables to retain their Blue Ensign defaced with the figure of Father Time, and took this matter up with the Ministry of Defence (Navy), and when the Post Office became a Public Corporation they granted the desired Warrant.

The cable staff faced a number of changes, for, in the past they had been under Civil Service rules and their unions and associations had been geared up to those procedures. The Merchant Shipping Act required the crews to be signed-on and off by "Articles" for each voyage, though running agreements could be signed for up to six months (or longer for prolonged overseas voyages). These Acts were designed to protect a primarily casual labour force. As the Post Office's recruitment and establishment system was designed for long term employment it was accepted as an approved set of conditions.

As the training, complements, and promotion procedures were not specified in these Acts the existing arrangements continued (subject to agreement with the various staff associations).

The problem of discipline, however, almost proved to be a stumbling block to the change over to the new procedures. The Merchant Shipping Acts codes of discipline have the force of law, and breaches of discipline can mean that the person concerned can be brought before magistrates in U.K. ports of call. The Master of a ship can impose fines for minor breaches of discipline, the fines being paid into the Merchantile Marine Office. These Acts also provide legal remedies for certain misdemeanours committed by seafarers, up to a maximum of 12 weeks imprisonment for combining with other crew members to disobey lawful commands. These sections of the M.S. Acts were the most bitterly disliked by the National Union of Seamen and were one of the principal items for investigation by the Pearson Committee which enquired into the conditions of service in the shipping industry.

The Post Office Engineering Union (POEU) wrote to Mr. K. A. Hannant (Engineering Department Reorganisation Unit) on the 26-Oct-1967 asking for information about the position of the cableships under the Post Office Corporation, and in particular their position under the Merchant Shipping Acts. This letter was answered in general terms but clearly stated that the hope was to have the conditions more closely aligned to those already existing.

A letter from the POEU in February 1968 raised objections to section 221 of the Merchant Shipping Act of 1894 in which a seaman guilty of certain offences was liable to forfeiture of his wages and/or, except in the U.K., imprisonment. This was a worsening of the previous conditions of employment, and was not acceptable to the Union.

The other staff associations also complained of the same point, and there appeared to be agreement upon two points:

1. Whilst in the formal sense discipline did not form part of the contract of service and could be described as not negotiable; there had been considerable discussion between the Official and Staff sides on that subject, and the idea of a new discipline code developed.
2. That it was not within the spirit — or indeed the letter — of the Postmaster General's assurance that after vesting day a former civil servant should have been liable to a punishment to which he would not have been before vesting day.

A supplement to the Post Office Circular dated 19-Mar-1969 gave details of the new Disciplinary Procedure under Corporation Status. (A joint statement by Official and Staff Sides.) This dealt with discipline offences in a more humane way with a built in appeal procedure should the offender feel justified in taking this course.

The problem of pensions was settled relatively easily except for the ships officers. All merchant navy officers were required to be members of the Merchant Navy Officers Pension Fund or to come within their employers pension schemes. Arrangements existed for an

officer to transfer from a private pension scheme to the general scheme — Merchant Shipping (Superannuation Contributions) Act 1937.

Some of the Post Office cableship officers who, because of slow promotion, had been stagnating in junior ranks, would have resigned the service to take up outside appointments at sea where promotion prospects were better if they could have transferred their pension rights. After vesting day most of the cableship officers left the Institute of Professional Civil Servants and joined the Merchant Navy and Airline Officers Association.

The ships crews preferred to remain with the POEU rather than join the National Union of Seamen.

The cableship crews no longer used the Post Office Engineering Department's Certificate of Service but used the Record of Service Book prescribed under the Merchant Shipping Acts.

Other changes included insuring the cableships, stores, and buildings. As every form ever used had to be retitled and the reference to the Postmaster General (an office now discontinued) deleted, the opportunity was taken to revise all forms and a number of them were found to be of no further use.

In a way this change over to a Public Corporation did a great deal of good for every work practice, form, and way of life had to be looked at to see how things would be under the corporation. Such a shake up in a business rarely occurs and when it does self interests of certain departments try to protect and build up their share of the organisation. In this vast changeover of the cableship service coming at a time when a new marine depot was being built and two new cableships being planned, a new forward looking attitude developed. An attitude which also embraced the research teams at Martlesham Heath, and the tempo of overcoming undersea problems increased in pace. This was also reflected in the recruitment of staff, whereas at one time it was difficult to get staff now a waiting list began to build up.

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With the change of Status the commercial attitude of both the Postal and the Telecommunication improved with practice, so much so that in 1977 the Post Office Corporation recommended to the Carter Committee that the two parts, Postal, and Telecommunications be divided into separate businesses. The argument had begun to creep into politics that there ought to be more competition in providing telecommunications in the U.K. The Bill to provide the division of the business into two separate organisations also allowed for competition to develop with the supply and provision of telecommunication apparatus.

Meanwhile the External Telecommunications Executive was increased by the transfer from Telecom Headquarters to those of other divisions which included the Submarine Systems, and the Marine Divisions. On the 29-Oct-1979 the second part of the re-organisation was complete and the cableships were now under "International Telecommunications" with Senior Director International, Mr. J. Hodgson at the head.

Mr. Hodgson's instructions to his managers were "Now go and define your own responsibilities and interfaces with the people you need work with".

In effect, each tier of management was being asked to reorganise the tier immediately below so that the lines of responsibility and areas of responsibility should fall into as natural a shape as possible. This was quite a different approach to the one adopted hitherto. It meant that a system was developed of work flowing through and individual responsibility in which people mattered, and in which they got on with the job.

Change appeared to be a way of life for the cableships, for under the British Telecommunications Act of 1981 they were then administered by a new public corporation called the British Telecom International (BTI). So the stage was set for the final logical step, to become a public corporation, and prove to the World that on commercial terms alone we could face any challenge. Later chapters will show that we could not only face any challenge of a technological kind but could make a few as well.

To give even greater incentive to its staff BTI encouraged them to become shareholders in their own company.
