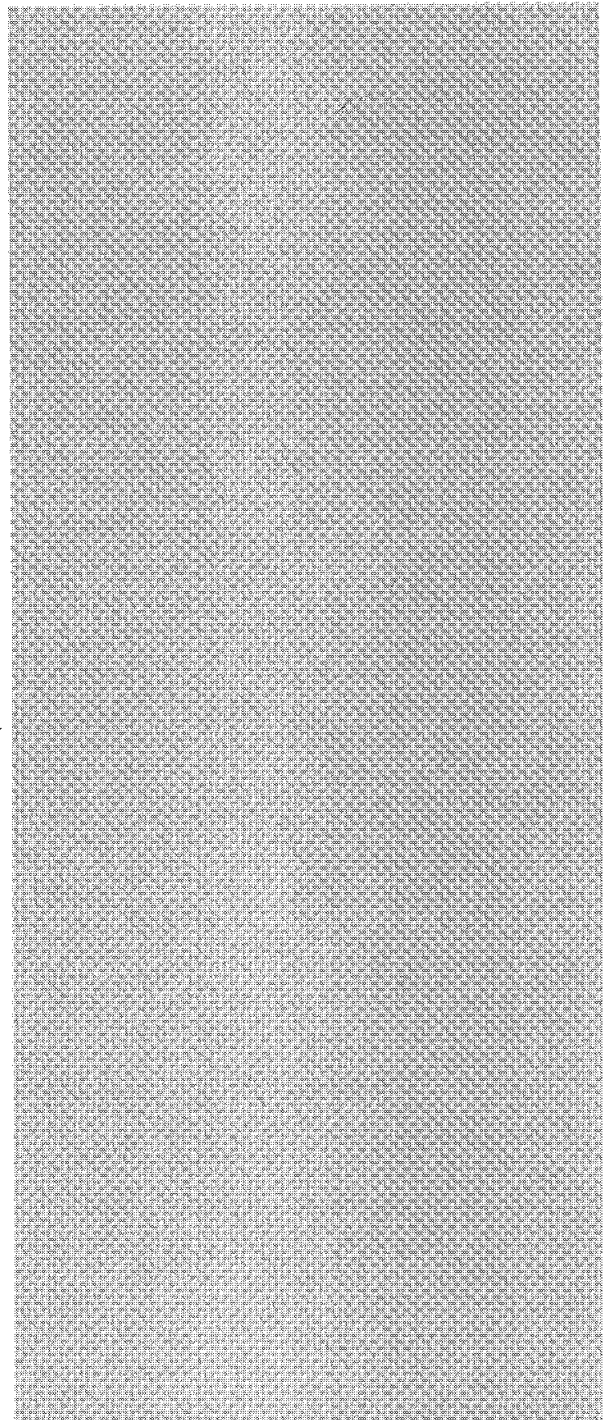

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ANNUAL REPORT

OFFICE OF TELECOMMUNICATIONS



**REPORT OF THE
DIRECTOR GENERAL OF
TELECOMMUNICATIONS**



*for the period 1 January
to 31 December 1994
to the Secretary of State
for Trade and Industry*

PRESENTED TO PARLIAMENT
IN PURSUANCE OF SECTION 55 OF THE
TELECOMMUNICATIONS ACT 1984

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CONTENTS

OFTEL SENIOR STAFF	iv
LETTER TO THE SECRETARY OF STATE	vi
PART ONE	
DIRECTOR GENERAL'S STATEMENT	1
<hr/>	
CHRONOLOGY OF EVENTS AT OFTEL IN 1994	15
PART TWO	
OFTEL'S ACTIVITIES	21
<hr/>	
TOWARDS MORE COMPETITION	21
Interconnection and accounting separation (ICAS)	21
<i>A Framework for Effective Competition</i>	22
Interconnection determinations and access deficit contributions (ADCs)	24
The Network Interfaces Co-ordination Committee (NICC)	25
Numbering issues	26
Optical fibre networks and multimedia services	28
Pricing flexibility for large customers	28
Are companies competing fairly?	29
Investigations following complaints	30
Market information	32
LICENCES – NEW AND OLD	34
New operators' licences	34
International simple resale	34
BT's prices	35
Emergency call services	39
Mobile markets	39
Cable operators	43
Satellite matters	44
Private network class licences	45
Other private network licences	45
WORKING FOR CUSTOMERS	46
Universal Service	46
Consumer concerns	47

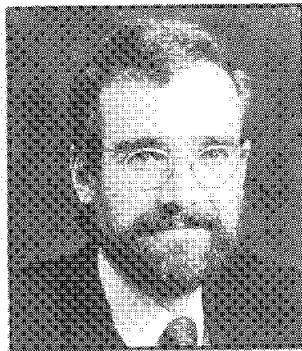
Premium rate services	51
Telephone sales calls	52
Consumer Codes of Practice	52
Calling Line Identification (CLI)	53
Disconnections	54
Deposits	54
Market research	55
Quality of service and comparable performance indicators	57
UK STANDARDS AND APPROVALS	59
EUROPEAN AND INTERNATIONAL ACTIVITIES	61
Policy formulation and implementation	61
International contacts	63
MANAGING OFTEL'S RESOURCES	65
Financial arrangements and Statement of Accounts	65
Staffing	68
INFORMING THE PUBLIC	69
Publicity	69
Publications	71
OFTEL's Library and Public Register	72
PART THREE	
THE ADVISORY COMMITTEES	77
<hr/>	
BUSINESS ACT	78
ACT FOR DISABLED AND ELDERLY PEOPLE	81
ENGLISH ACT	85
NORTHERN IRELAND ACT	87
SCOTTISH ACT	91
WELSH ACT	94
APPENDIX	
BACKGROUND STATISTICS	99
<hr/>	

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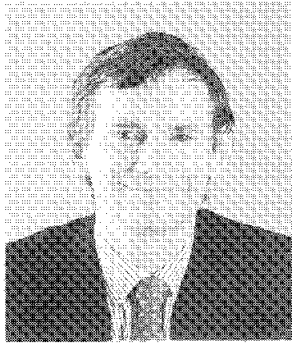
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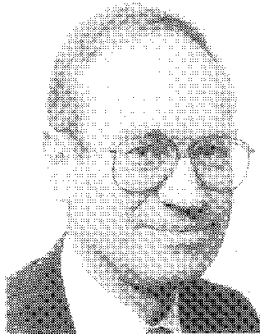
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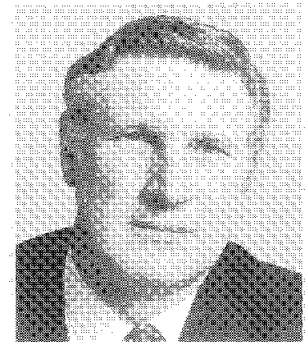


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The Rt Hon Michael Heseltine, MP
Secretary of State for Trade and Industry
Ashdown House
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21 March 1995

Dear Secretary of State

As Director General of Telecommunications I am required, by section 55 of the Telecommunications Act 1984, to make to you an annual report to 31 December each year on my activities and the activities of the Monopolies and Mergers Commission (MMC) in so far as they relate to references made by me. This report covers the period 1 January to 31 December 1994.

In the first part of the report I comment on our progress in key areas during 1994 and our aims for future years. Part Two describes OFTEL's activities during the year. In particular it shows our progress with interconnection policies, culminating in the launch of our major Consultative Document *A Framework for Effective Competition* in December. Part Three contains the reports of the six statutory advisory committees on telecommunications.

No references were made by me to the MMC during 1994.

Don Cruickshank

DON CRUICKSHANK

PART ONE

DIRECTOR GENERAL'S STATEMENT

1.1 Looking back at last year's Annual Report, I am pleased to see that we have made considerable progress towards our goal: to provide the best possible deal for the customer in terms of quality, choice and value for money. We have also made headway in developing ways of measuring that progress. I will discuss these later on. First I would like to thank all my OFTEL colleagues for their hard work, particularly in areas where we have been breaking new ground.

1.2 Over the year we have seen no reason to alter our overall goal. OFTEL's role will principally be to extend customer choice so that value for money and quality decisions are increasingly made by customers from a choice of providers promoted, and if necessary policed, by OFTEL.

1.3 In 1994 we began to see nearly four years of liberal domestic licensing and substantial investment in UK telecommunications being translated into action on the ground. With the cable industry reaching some mass and companies such as Energis, Scottish Telecom, MFS, Mercury One-2-One and Orange either starting up or extending their services, customers were beginning to experience real choice and the benefits of emerging competition.

1.4 However, I would also like to point out that the emerging competition is not harming BT. Quite the contrary. BT remains as profitable as ever and is becoming increasingly confident. The effect of competition has helped turn BT into a customer-orientated, more efficient organisation – in other words, one geared up to compete effectively. And that is what BT is doing, both at home and abroad.

1.5 As promised in last year's Report, I will look at the extent to which OFTEL achieved the programme for 1994 and then describe the key tasks for 1995.

Progress in 1994

1.6 At the present stage of evolution in UK telecommunications we have what might be termed the paradox of regulation: the need for regulation increases as competition first emerges, to decline once the competition has become firmly established. For now the need for detailed regulation in many areas continues. Having said that, where appropriate OFTEL seeks to deregulate and, wherever we can, remove unnecessary restrictions on the use of networks. We can also seek to simplify the regime.

Interconnection

1.7 Back in summer 1993, when I first started at OFTEL, somebody told me: "It's all about interconnection". If there was ever any doubt about this, 1994 proved the point. We have been working for some time to develop a workable, fair and transparent regime which encourages effective competition while encouraging existing companies to invest and innovate too. We must get this right before customers can fully benefit from a multi-operator marketplace and the opportunities it can offer.

1.8 This year we made considerable progress. OFTEL's statement in March set out our three-stage approach to interconnection and accounting separation. Stage One – using the December 1993 BT/Mercury interconnection determination as an interim basis for charges paid by other operators – is in place. But Stages Two and Three contain the heart of our vision for the UK interconnection regime – that it should be transparent, efficient and sustainable, not unduly discriminatory and have the confidence of all operators.

1.9 Stage Two proposed major changes. The most 'visible' reforms will be the setting up of accounting separation within BT and the publication of a list of unbundled standard charges showing details of how costs are derived. For regulatory accounting purposes BT's business will be separated into six businesses – Access, Network, Retail Systems, Apparatus Supply, Supplemental Systems and Residual. Accounts for these would be published on a regular basis. Both the regulatory accounts and the costing of the standard charges would be audited to a stiff standard. To provide that vital confidence for other operators, OFTEL also needs better investigatory powers in relation to cross subsidy and BT's accounting procedures, and safeguards to ensure that BT Network cannot unfairly favour other parts of BT in transfer charges or quality of service.

1.10 By the time this Report is published, we will know whether it has been possible to implement Stage Two on the timetable we have been working towards. At the very end of 1994 the proposed modifications to BT's licence to give effect

to the new framework were put out for statutory public consultation. This followed two rounds of informal consultation with the industry. The modifications will come into effect on 1 April 1995 if agreed by the BT Board. BT has accepted the principle of accounting separation but is concerned about the extent of any discretion under the new licence conditions. BT thinks I have too much discretion, the rest of the industry thinks I have too little. I must steer not the middle, but the right path. I would not be performing my role effectively if I allowed a situation to develop where anti-competitive behaviour by BT is not discoverable, or I do not have adequate means to stop it promptly. The discretions proposed will allow me to do this and to correct any deficiencies in the accounting separation regime after a due procedure. Another area of concern is the proposed amendment proscribing undue discrimination in changing retail prices. Here, I have settled for a compromise and given myself discretion to approve some of BT's retail prices which may drop below fully allocated costs provided I am satisfied they have no anti-competitive intent and that other operators can benefit from any special deals BT Network is giving to BT's retail business. The debate on what is or is not anti-competitive pricing will be continued in the Stage Three consultation.

1.11 There is one last point I want to make on Stage Two of our interconnection programme. We have chosen to go for accounting separation as distinct from, say, business separation (where BT's businesses would be organised into legally separate subsidiaries) because we believe it goes far enough to provide the industry with the confidence it needs in the interconnection regime. If, however, it does not do so, I shall be prepared to revisit the issue.

Numbering

1.12 One area where there was not as much progress as we had hoped in 1994 was number portability – the facility that allows customers to take their number with them when they change operator. This is a major barrier to emerging competition and it is vital that we remove it. The Network Interfaces Co-ordination Committee (NICC) delivered its proposals for solving the technical barriers in August – earlier than scheduled. The question of who pays proved the stumbling block. At the time of writing, OFTEL has issued for formal consultation proposed licence amendments. The effect of these is to allow me to determine the charges BT makes to another operator for number portability. The effect is that the costs of number portability should be distributed fairly amongst those who benefit – all telephone users. I hope BT can agree to these and clear the way to introducing portability during 1995.

1.13 We also spent a good deal of time on the future of telephone numbers themselves. We completed all the necessary steps for taking over the UK Numbering Scheme in 1994. PhONEday, 16 April 1995, is fast approaching. For eighteen

months OFTEL has been urging operators to make sure their customers know about it and take the right steps to modify their equipment if necessary. We have distributed our own information for businesses about the National Code Change and targetted maintainers who will need to make the modifications to any switching apparatus. This has been a long campaign but we hope people will have made good use of the early warning.

1.14 The PhONEday change removes the spectre of lack of numbers putting the brake on future developments. Our plans are designed to encourage competition and leave plenty of scope for unforeseen innovation. Customers will also benefit not only from having numbers for the choice of services they want but also by numbers themselves giving some indication of the type of service they are calling.

Directory services

1.15 During the year, we took steps to improve the quality of the directory enquiries and other directory products available to customers by drawing up an industry code of practice for the handling and dissemination of directory information. We hope this code will ensure that when operators pass directory information to each other this is done in a rapid and accurate fashion, and is subject to appropriate safeguards on use. We also recognised that most, if not all, other operators rely on BT's directory information database in order to provide their own directory products, and we therefore began work to determine fair charges for access to that database.

Towards more open regulation

1.16 How open and transparent is OFTEL and the regulatory regime? Clearly we have to turn the spotlight on ourselves. We have made good progress during 1994 on several fronts. We continued our dialogue with the industry through a series of very useful workshops and meetings, and cross industry working groups. We also published more explanatory documents giving the reasoning behind our major regulatory decisions. A few weeks ago we published *Doing Business with OFTEL*. This is a guide for suppliers and large users of telecommunications services – our 'clients' – to what we can do and how best to approach us. It also, for the first time, gives performance targets so our clients have an idea of the service we aim to offer.

1.17 Consultation plays a central part in formulating changes to the regime. For any major changes we now have a policy of putting responses to consultative documents on the public record unless it is clear they have been made in con-

fidence. This gives other interested parties a chance to respond to views put forward. For our latest consultative document we have organised a series of public meetings around the UK – another first for OFTEL – to give those affected an opportunity to learn more about the proposals and give us their views.

1.18 As we now work in a multi-operator environment our practice is to hold informal consultations with the industry on licence amendments which may be required to put decisions in place. This is followed by a formal statutory consultation period with any submissions again being put on the public record. Here we can hit a snag. Formal responses are often received very late in the consultation period or on a confidential basis. This is out of keeping with the transparency we are aiming for and gives interested parties less opportunity than we would like to comment on each others' arguments. As a result, we are considering procedures and rules for the future to ensure that the consultation process is as open and visible as possible at all stages.

Optical fibre networks and multimedia services

1.19 This was a subject that caught the headlines in 1994 with the publication of the Trade and Industry Select Committee's report and much speculation on what the future might bring. OFTEL supported the Government in re-affirming the policies set out in the 1991 White Paper *Competition and Choice: Telecommunications for the 1990s*. But further developments are now in train. Construction of the broadband networks in the UK is already happening or planned over the next few years. The spotlight is now on the development of services to exploit these networks.

1.20 As OFTEL's goal is expressed in terms of the delivery of services, I would like to look briefly at this aspect. Initial work by OFTEL suggests that advanced services, interactive and transaction based services, in the UK may not be as well developed as in the US where, for example, a new range of long distance services to meet demand for high speed data communication has been introduced – such services are not available here. Why? The answer may involve many factors such as the impact of the licensing regime on service providers, the terms of interconnection and access to networks. Part of the solution may lie in the outcome to our Stage Three deliberations of the interconnection regime. I will return to these and other considerations further on.

1.21 In 1994 trials of multimedia services were set up or planned. OFTEL welcomes these and looks forward to the creation of an industry-wide forum to exchange information and ideas on the introduction of new services and to pool experiences of the trials. Co-operation for progress seems to be a theme coming up increasingly often in telecommunications and regulation.

Consumer complaints and enquiries

1.22 During the year we merged all the consumer complaints and enquiries into one section within OFTEL. Previously complaints for different types of network – such as broadband cable, mobile and fixed link – were dealt with in separate sections. The new arrangement gives us a more complete picture of customers' concerns and is more appropriate to the way the marketplace is evolving. We also improved the procedures for handling telephoned complaints and enquiries so that many more calls were 'captured' in our statistics. Despite the consolidation and easier access to OFTEL, the level of complaints fell. This was pleasing because, with the launch of several new companies during the year and the introduction of many innovative services, we might have expected to see complaints resulting from initial 'teething' troubles.

Consumer codes of practice

1.23 A continuing problem – although one we are now tackling, as discussed further on – is the lack of information available to customers. However, an important source is the consumer codes of practice most operators are required to produce. These give customers an idea of the standard of service they can expect and are public statements of the operators' commitment to their customers. We have been working closely with operators to produce new codes with a broader range of useful information for their customers. Areas covered include complaints handling, fault repair, bills, disconnections, and special needs. We made good progress in 1994 and new codes, including a model code for the cable companies, were either agreed with OFTEL or very near that stage by the end of the year.

The customer's eye view

1.24 So how are we progressing towards our goal? Are customers getting a better deal? I would like to look at this from the perspective of two types of customer – a financial services company in the City of London and residential customers in some medium-sized towns.

1.25 Our financial services company already has real choice of outstanding quality from the best infrastructure and service providers in the world. Prices are dropping and international access is cheap and easy. Moves this year, such as UK/US international simple resale, will bring more choice and price benefits. This is the type of customer who will find developments such as the BT/MCI joint venture company (Concert) and AT&T having licences in both the UK and USA of most interest and potential advantage.

1.26 But our residential customer is also beginning to have exciting new choices. There are new national companies and local infrastructure competition is here. The cable network has been built, the diggers have gone, the pavements restored and the trees are blossoming. Many residential and local business customers are exercising their choice and in particular may be taking some service from their cable company. And there is more to come. Hooking up schools and contributing to the community by other means is on its way. Other wire-based or radio-based operators are beginning to call or will do so soon, and a real choice of mobile operators with tariff packages tailored for the residential customer is heading their way. Interactive services are just around the corner.

1.27 These choices and prospects for the near future have by no means reached all customers yet, but the important point is that the shape of effective competition can now be seen and experienced. In the meantime the RPI-7.5% cap on BT's prices is bringing cost savings for all. The completion of BT's digitalisation programme in 1995 will mean that all customers will have access to services such as itemised billing. We continue to seek to ensure that the benefits of a competitive regime are fairly shared between different types of customer.

1.28 During 1994 we had some complaints from the "cake and eat it" type of customer. A local authority, for example, may be approached by a local company offering big savings. Why, they want to know, can't BT discount even more to compete for their account? This is a real issue. During the year we discussed the case for greater tariff flexibility with large business users and there was a welcome recognition that too great an element of discounting by BT now could damage the development of sustainable competition in the longer term. However, pricing flexibility is an issue raised for discussion in our *A Framework for Effective Competition* consultative document.

Finding out about customers

1.29 Last year I highlighted the poverty of information available as a challenge for OFTEL. Both customers and the industry need the facts and figures in order to make informed choices. We have continued our efforts to persuade operators to publish more information themselves. One result is that BT will shortly be issuing figures on disconnections. But for the most part OFTEL itself has had to gather and publish the information we all demand.

1.30 We need good quality information to find out both how far we have progressed towards our goal and also where we should be directing our efforts to reach it. We already have two valuable sources of feedback from customers. The consumer complaints and enquiries we receive give a picture of customers' day-to-day concerns and the advice from our six statutory Advisory Committees on Telecommunications (ACTs) reflects the views of a cross-section of UK customers.

During 1994 the ACTs have been very active in contributing to OFTEL's consultative exercises and raising issues of concern to different types of customers, such as the charges hotels make for telephone calls and the problems faced by textphone users. We have also been developing closer links with other consumer bodies during the year to gain more insight into customers' views.

1.31 Market research is an important element in gathering information. We expanded our market research programme considerably in 1994. A major survey commissioned in October 1994 gave us a 'snapshot' of what customers currently use and their opinions on a wide range of issues – from perceptions of BT's prices to demand for multimedia services. Some of the findings are discussed later on in this Annual Report and we will be publishing results from the survey shortly.

1.32 We also made progress on reviewing quality of service measures and producing comparable performance indicators. The indicators will give audited comparisons for different fixed-link operators of service provision, fault repair and complaints handling. This autumn we are aiming to publish figures for part of 1995.

1.33 To fill another information gap we are conducting a project to assess the extent different types of customers – not excluding those in Kingston upon Hull – are benefitting from real choice. This study will look at what factors influenced customers in making their choices between operators and seek to identify any anti-competitive practices. We are also comparing – or 'benchmarking' – the availability of services to UK customers to the best available in the US and elsewhere.

1.34 Recently we published the first data on market shares in the UK for the periods 1992/93 and 1993/94. This is a very important step towards transparency and provides some measure of the spread and effect of competition. We will be speeding up the publishing process and extending the range of services covered.

1.35 All these studies, and our contacts with other organisations, are beginning to give us a clearer understanding of what customers want and a better definition of effective competition.

Licence enforcement and fair trading

1.36 In the 1993 Annual Report there was a commitment to more effective pursuit of anti-competitive behaviour. Here we have not made as much progress as planned. Companies have to wait too long for action and redress. OFTEL has not been systematic enough in its appraisal of competition complaints and decisions on how to proceed. And attempts to be more proactive in monitoring 'hot spots' have had only limited impact. We are now in consultation with interested parties on OFTEL's powers and procedures, with the firm aim of improving our effectiveness as a licence enforcement and fair trading authority.

1995 and beyond

1.37 What is in prospect for the customer in the near future? We are moving towards customers being offered an 'all in one' package of voice, data, access to the Internet, entertainment and interactive services – at home, in the office or on the move. Fixed and mobile services are converging and new technologies are bringing unimagined new services. So the regulator must do some planning for tomorrow.

Interconnection

1.38 Interconnection is at the heart of this revolution. Like the governor on Mr Watt's steam engine, without effective interconnection rules there is a risk of the system either seizing up or blowing up. Stage Three of our interconnection programme is looking at how the regime should cope with this new world. What are the steps towards a competitive multi-operator market from which detailed regulation can withdraw?

1.39 A key milestone in the Stage Three programme was the publication of our consultative document *A Framework for Effective Competition*. This set out a number of options for change in the interconnection regime and addressed a number of important related issues. I would like to look at two particular aspects of the discussion – anti-competitive behaviour and service providers – and two issues of immediate concern to consumers – the effect on bills and universal service.

Anti-competitive behaviour

1.40 OFTEL can only withdraw from detailed regulation if we are confident that anti-competitive behaviour can be controlled. As OFTEL moves towards the role of a competition authority it must be able to prevent the abuse of dominant positions in individual market sectors. The challenge is to prevent anti-competitive behaviour without stifling innovation.

1.41 It may be that some changes in OFTEL's powers are needed to ensure it is possible to take prompt and effective action. In the meantime OFTEL will be proactive in identifying and dealing with potentially anti-competitive behaviour using the full range of powers available to us, as well as dealing with complaints. A new group in OFTEL called 'Licence Enforcement and Fair Trading' is being set up and I hope to be able to describe significant progress in my 1995 Annual Report.

Service provision

1.42 Most service providers do not need individual licences. This may well be acting against them. They are in effect treated as retail customers and so they are denied access to the networks at wholesale interconnection prices and terms. This might well be inhibiting the introduction of new services at a time when the potential is enormous. In 1995 we aim to seek and secure the best means of giving customers the benefit of effective services competition.

Consumer concerns

1.43 Any future regime must ensure that residential consumers both have access to vital telecommunications services and benefit through low prices. In other words the principle of universal service at an affordable price must remain and bills must continue to fall.

1.44 Our document *A Framework for Effective Competition* looks at various aspects of the future of universal service such as how it should be provided and funded, and at what level it should be set. We have already started addressing the problem of what it costs. At present for all the UK except Hull BT is the only operator providing universal service. Initial estimates suggest the cost is around £90m to £160m – about 1% of turnover. But this does not take into account the benefits to BT. We may yet conclude that universal service is not a net cost. Whatever the outcome, some mechanism is needed to keep various aspects of universal service, such as level of service, under review. We aim to resolve these issues in 1995.

1.45 In two of the four main options put forward for the future interconnection regime, the removal of the RPI+2% constraint on rises in BT's rental charges is contemplated. This has the benefit for the industry of removing the complex access deficit contribution (ADC) system. How will it affect residential customers? Price rises in the overall basket of BT's main prices will still be controlled by the RPI-7.5% formula until 1997. We believe that taking into account the overall constraint and the unpopularity of any large rental rises among its customers, BT, as a much more customer-oriented company, will not increase rental charges significantly. In the unlikely event of rises in real terms in telephone bills for residential customers, the rise should be offset by minor adjustments to the Light User Scheme. As I said publicly when the document was published, I would not remove the constraint unless the interests of residential customers were fully protected.

1.46 Customers may also prefer to control their bills in other ways or have more choice of tariff. Our recent survey showed that many customers would prefer alternative service/tariff packages such as pay-as-you-go, monthly flat rates, and agreed usage limits.

Customers with special telecommunications needs

1.47 OFTEL has a special duty to promote the interests of disabled and elderly people. There are about 6 million people in the UK with one or more disabilities and about 10 million pensioners. People from both these groups may have additional telecommunications needs if they are to enjoy the same level of service as other customers. This raises two questions. The first is whether we take into account these additional needs when defining the level of universal service. The second is how OFTEL and the regulatory regime can serve these customers better.

1.48 We are addressing the first question in our review of universal service described above. To answer the second we must have more information about these customers. In 1995 we are commissioning market research to find out firstly whether customers are aware of what is currently available to help them and secondly what they would like to have to enable them to use telecommunications more effectively. The answers will help us focus our efforts on what is really needed.

1.49 We will also be keeping a close eye on the new legislation affecting disabled people that is currently going through Parliament. This may have implications for telecommunications provision.

1997 price cap

1.50 This summer we start the process of deciding what price cap, at what level, on what services, is needed from August 1997. This process will be as transparent as is possible, involving BT, the rest of industry and customers. I will shortly be publishing a timetable of events between June 1995 and June 1996. This will be a large and priority project for OFTEL.

Numbering issues

1.51 Number portability will again be high on our list of priorities in 1995. Its early introduction is OFTEL's single most important short-term aim. We will be working closely with the industry to remove the remaining barriers and we hope to see the service widely available to customers by the end of the year.

1.52 Although 1994 saw some progress towards improving the quality, value for money and choice of directory products and services available to customers, we believe we can still do more. To this end OFTEL will launch a public consultation in late spring. We will consider whether more competition in the provision of directory services – the management of directory information on behalf of telecommunications operators – would help to deliver our objectives while preserving essential safeguards on the use of directory information.

1.53 We will also be talking telephone numbers. Once PhONEday is past we will be asking customers and the industry about the best way to use the numbers available in the '02' to '09' ranges. This will focus first on the '02' numbers which previous consultations have suggested would be the preferred choice for the next range of geographically-based numbers. It is very important that numbers are available for new services and new operators. But we must get it right – these are decisions affecting customers well into the 21st century – so we will be consulting as widely as possible and asking residential customers in particular to give us their views.

Information

1.54 Many of the projects already discussed, such as the comparable service indicators, market information, and benchmarking projects – will accelerate and expand in 1995 and beyond. We will also be setting up new market research projects in various consumer areas where we have little high quality information.

1.55 The study on the additional needs of disabled and elderly customers has already been mentioned. We will also be looking at customers' views of the calling line identification (CLI)-based services a year after they started. A market research project on some of the issues around future numbering policy will help inform us about the significance of numbers for different uses of the network. As part of our work on universal service we will also wish to monitor telephony penetration rates carefully in future, following up on our *Households without a Telephone* work which was published in 1994.

1.56 Another group of customers we will be studying is small and medium-sized businesses. These have their own problems and expectations of telecommunications services but we need to know more precisely what they are and whether competition is addressing their needs.

1.57 All these studies and our other information-gathering activities will continue to chart our progress towards our goal, broaden our knowledge of customers and clarify our vision for the future.

1.58 We are also going to learn more about ourselves. Starting in May 1995 an independent team from the London School of Economics (LSE) will have two years of extended access on a suitably confidential basis to the internal workings of OFTEL. There is much public debate about the UK's regulatory structures – much of it is ill informed. I hope that this study by the LSE will in due course move the debate onto a more factual and informed basis.

International activities

1.59 In my 1993 Annual Report I touched on the role OFTEL might need to develop in the international arena. There are two aspects to this. Firstly, OFTEL now has nearly eleven years' experience of infrastructure competition to share with markets, such as Europe, starting out on this course. The UK has steered a lonely course in local infrastructure competition but the US, Japan and Europe now seem to be following.

1.60 Secondly, a number of our 'clients' – the UK operators and service providers – have aspirations overseas. We have a duty to help them compete in these markets. This means, in the EU and in the other major markets of the world, promoting liberalisation to gain access for their businesses there – for instance in the USA, where proposals are on the table to drop restrictions on foreign ownership. OFTEL has been playing a major role in discussions on this.

1.61 Telecommunications companies are among the biggest companies in the world – that is certainly true in the UK. Global alliances of telecommunications giants must therefore be matched by alliances in regulatory effort to ensure fair and effective competition. We may have a tough job but we owe it to customers to be tough in carrying out that job.

Multimedia and converging technologies

1.62 Until recently we used the telephone system to transport our voice, or a message, or data to somebody else, somewhere else. In other words customers were leasing the system for a moment or two. This is now too narrow a concept. We still require the system to do that, but we also regard it as the access route to unlimited and unknowable stored messages, pictures, data and sound which we want to read, listen to, store, watch or whatever, at our convenience.

1.63 This introduces a new factor in the equation. These messages, data, pictures, etc, are not all owned by the owner of the telephone system. We will therefore need sharper distinctions between leasing the **transport** system and accessing the **service provider**.

1.64 There are a number of regulatory and societal issues this raises. Principally we need to consider what rights the customer, the service provider and the owner of the transport system must have in order to ensure that access is open, diversity is guaranteed and innovation encouraged. This is an issue we are discussing now and will address in a consultative document soon.

1.65 We will also have to be wary of other distinctions we are accustomed to becoming concepts of the past. Technologies are converging rapidly and operators are no longer confined to discrete sectors of the market. For example, soon there

will be less difference between fixed and mobile services. For the future we may need to take a fresh look at our industry to keep pace with a rapidly changing world.

And finally ...

1.66 I would like to end on a key point for the future of telecommunications regulation. Competition and consumer protection have been the twin themes of the first eleven years of privatisation and OFTEL. Now we need to add co-operation and collaboration if the UK is to hold on to its position as world leader. Service providers must co-operate and collaborate both between themselves and with those providing the transport system. The transport system providers must do the same. The industry and OFTEL need a shared vision of where the UK market is going and how to take on the global marketplace. The challenge will be to achieve this.

CHRONOLOGY OF EVENTS AT OFTEL IN 1994

JANUARY

- ▼ The Director General reached agreement with BT that for the remaining three years of the current price control formula (RPI-7.5% until the end of July 1997) price changes would be introduced in such a way as to be equivalent to a single price reduction on 1 November each year. This ensures that customers get the benefit of price reductions early in the price control year.
- ▼ BT's new Light User Scheme was introduced to give more help to residential customers who do not make much use of their telephone. The Director General had agreed to the new scheme – as required under BT's operating licence – following discussions with BT.
- ▼ The Director General announced plans for the introduction of number portability. This allows customers to keep their telephone numbers when they change operators. The announcement followed the completion of a study which showed the benefits of portability outweighed the costs.
- ▼ The Public Accounts Committee published its report on OFTEL.

FEBRUARY

- ▼ The Director General welcomed BT's announcement of the abolition of the peak rate. This would simplify the tariff structure and so help customers understand their call bills. Once implemented these price changes, together with previous changes, nearly fulfilled the price reduction required by the RPI-7.5% formula for the year ending 31 July 1994.
- ▼ The Meter Approval Scheme was extended to include Kingston Communications in Hull. The Scheme covers end-to-end performance of all charging systems – from measuring telephone usage to compiling customers' bills –

and aims to give customers more confidence in the accuracy of their bills. (See also **August** and **December**)

- ▼ Following OFTEL's consultative review in 1994, the Director General published a statement on the operation of BT's Signatory Affairs Office (SAO). Several changes were proposed to encourage future competition in the provision of satellite services. But the main objective will be to obtain direct access to the international satellite consortia for independent operators.
- ▼ Christine Farnish joined OFTEL as Director of Consumer Affairs and Sarah Chambers as Director of Licensing. OFTEL was re-organised to reflect a stronger focus on the customer.

MARCH

- ▼ OFTEL published *Interconnection and Accounting Separation: The Next Steps*. This set out the three-stage plan to introduce better interconnection arrangements. Stage One built on the BT/Mercury determination of December 1994 as a basis for calculating the charges paid by other operators to BT. Stage Two required the implementation, in early 1995, of a new list of standard interconnection services. This stage also involved the separation, for accounting purposes, of BT's businesses. Stage Three aimed to resolve longer term issues and work on this stage resulted in the December Consultative Document.
- ▼ The Statement was discussed at an industry workshop held by OFTEL as part of a continuing series of meetings with operators.
- ▼ The President of the Board of Trade issued licences to Sprint, Telstra and WorldCom International to carry out a number of activities including international simple resale (ISR). OFTEL participated in the discussions with the companies and assisted on the progression of the licences. (See also **December**)
- ▼ The findings of OFTEL's enquiry into directory enquiry services were published. The Director General announced several proposals including the introduction of a code of practice for the provision of directory information services.
- ▼ OFTEL published for consultation the draft Numbering Conventions. These are the rules under which the UK Numbering Scheme would be managed and evolve in the future. This move was a step in the process of OFTEL taking over responsibility for numbering from BT.

APRIL

- ▼ The Director General urged the telecommunications industry to agree on a single standard for the delivery of calling line identification (CLI) services. He hoped to see co-operation on this so that customers could get the maximum benefit from such technological developments.

- ▼ Anna Walker, OFTEL's Director of Competition, was appointed the new Deputy Director General following the retirement of Bill Wigglesworth in March.

MAY

- ▼ The review into market practices in the provision of mobile telephony services was concluded. This followed a wide-ranging complaint from Talkland International (UK) Ltd and others. The Director General took measures, which included issuing Directions under BT's, Cellnet's and Vodafone's licences, requiring steps to be taken to end any unfair cross-subsidisation of service provider businesses linked to these network operators. The Directions were revoked in October when the Director General was satisfied that the operators complied with certain criteria for future profitability in providing mobile services but compliance with the criteria continues to be required.
- ▼ OFTEL relaxed the rule requiring customers with call routing apparatus to part prepay for the maintenance contract they must have. Procedures for terminating contracts were also made clearer for customers. These changes were publicised in an OFTEL Update, and in letters to maintainers and other enquirers.

JUNE

- ▼ The Numbering Conventions were published and OFTEL took over the management of the UK Numbering Scheme.
- ▼ Ann Taylor joined OFTEL as the Director of Competition.
- ▼ The Director General called for major improvements in the Consumer Codes of Practice published by BT, Mercury, Kingston Communications and other operators required to have Codes. The Director General hoped to see new Codes, containing the information customers needed, within a year.

JULY

- ▼ The Director General gave eight companies access deficit contribution (ADC) waivers until 31 March 1996 of payments they would otherwise have made to BT. The companies were: ACC, WorldCom, COLT, MFS, Energis, Telewest, Videotron and Nynex. An explanatory document, giving the background to the decision, was published at the same time.
- ▼ OFTEL published a policy paper on calling line identification (CLI). The Director General welcomed the planned introduction of the service later in the year but warned that there must be proper safeguards in place. He said that operators must give customers the option of withholding their CLI and make sure customers know about this before the service was introduced.

- ▼ The Parliamentary Trade and Industry Committee published its report *Optical Fibre Networks*. The Director General had appeared before the Select Committee in May and given written evidence. (See also OFTEL's response in **November**)

AUGUST

- ▼ Gisela Burg was appointed as the new Chairman of the Business Advisory Committee on Telecommunications (BACT).
- ▼ The Director General urged BT and Mercury to speed up the approval process for their metering systems. This followed the publication of the fourth British Approvals Board for Telecommunications (BABT) report on progress with the Meter Approval Scheme. (See also **February** and **December**)
- ▼ The Director General announced that OFTEL would be carrying out a cost-benefit analysis to examine the case for equal access in the UK.
- ▼ The findings of a study about competitive practices in the telecommunications market showed that a significant number of telephone company staff were unaware of fair trading rules. The study also looked at anti-competitive practices and pricing behaviour. OFTEL commissioned the study and published extracts from it.
- ▼ The Network Interfaces Co-ordination Committee (NICC) produced a technical specification for number portability – ahead of schedule. NICC's solution was based on existing capabilities within exchanges and gained widespread approval across the industry.

SEPTEMBER

- ▼ OFTEL commissioned MORI to carry out a major household survey on UK residential consumers' views on service quality, value for money and choice.
- ▼ The principles of a voluntary scheme to reduce the number of unwanted telesales calls were agreed with the Direct Marketing Association.
- ▼ Following discussions with OFTEL and with DTI, the US Federal Communications Commission (FCC) announced that the UK met the US equivalence test for international simple resale. A similar designation of the US was made by the President of the Board of Trade in October.

OCTOBER

- ▼ OFTEL held a meeting with the industry to discuss progress on interconnection. This marked the start of an informal consultation process on the proposed amendments to BT's licence to bring into effect Stage Two of the interconnection and accounting separation (ICAS) programme. (See **March**)

- ▼ The President of the Board of Trade designated the US as equivalent for international simple resale.
- ▼ The Specified Numbering Scheme was determined by the Director General. This completed the process of transferring responsibility for the Numbering Scheme from BT to OFTEL.
- ▼ The Director General revoked the Directions given to BT, Cellnet and Vodafone over cross-subsidies in mobile service provision. (See **May**)
- ▼ The future regulation of multimedia services was highlighted in a speech given by the Director General. He announced that OFTEL would be issuing a consultative document in spring 1995 on the subject. In the meantime he called for an informed dialogue with all sections of the industry and a pooling of experience gained from trials.

NOVEMBER

- ▼ OFTEL published its response to the Trade and Industry Select Committee's report on optical fibre networks (see **July**). At the same time the Government gave its response in a Command paper – *Creating the Superhighways of the Future: Developing broadband communications in the UK*. Both stressed the importance of developing broadband services together with the necessary broadband infrastructure so that customers can benefit from new opportunities. The Command Paper concluded that there would be no fundamental revision of the regulatory regime covering cable and local delivery franchising.
- ▼ OFTEL submitted representations to Coopers & Lybrand, appointed by ICSTIS (The Independent Committee for the Supervision of Standards of Telephone Information Services) to review the regulatory regime for premium rate services.
- ▼ A report looking at various strategic options for European numbering was issued by OFTEL as a consultative document. The report, by the European Committee for Telecommunications Regulatory Affairs (ECTRA), considered the introduction of European telephony numbering space for special pan-European services.
- ▼ David Ingham became OFTEL's Legal Director.

DECEMBER

- ▼ A milestone in telecommunications regulation was reached with the publication of *A Framework for Effective Competition*. This Consultative Document looked at how the regulatory framework needs to evolve, at what pace and along what path to achieve a competitive marketplace from which detailed regulation could withdraw. Four main options for changing the interconnection regime were suggested as staging posts towards the goal.

Along the way comments were invited on many aspects of the regulatory regime, including capacity charging for interconnection and regulating anti-competitive practices. OFTEL announced plans for a series of public meetings around the UK in early 1995 to give people an opportunity to learn more about the proposals and give OFTEL their views. This is a new departure for OFTEL.

- ▼ An OFTEL investigation into allegations of anti-competitive practice in BT Managed Network Services (BTMNS) proved inconclusive. The Director General announced that the matter would be investigated further. BT undertook to improve its accounting disciplines in this area to allow the detailed scrutiny required.
- ▼ Consumer Codes of Practice for Cellnet and Kingston Communications were approved by the Director General. A model Code from the Cable Communications Association to be used as the basis for individual cable companies' Codes was also approved.
- ▼ The President of the Board of Trade issued major new licences to AT&T and Concert (a joint venture between BT and MCI). OFTEL advised the Department of Trade and Industry on the issue of both these licences. (See also **March**)
- ▼ Nineteen access deficit contribution (ADC) waivers were granted by the Director General. The companies receiving the waivers were: Sprint, Telstra, WorldCom, and the respective group companies of Jones Cable, Telecentral, Encom, SBC CableComms and Singapore Telecom. An explanatory document was again published. (See also **July**)
- ▼ BABT approved BT's metering systems. OFTEL opened discussions with the cellular operators Vodafone and Cellnet on bringing their metering and billing systems into the Scheme. (See also **February** and **August**)
- ▼ At the very end of the year the formal consultation process was begun for the ICAS Stage Two licence amendments. These covered the standard list of interconnection services and accounting separation within BT for regulatory purposes. (See also **March** and **October**)

TOWARDS MORE COMPETITION

Interconnection and accounting separation (ICAS)

2.1 The terms and conditions under which operators are able to interconnect with BT are central to the further development of competition in the UK telecommunications market. Operators need to have confidence that the charges they are paying are fair, are properly based on underlying costs and that BT's own retail business is paying the same, for the same quality of service.

2.2 The focus of OFTEL's work during 1994 has been the interconnection and accounting separation (ICAS) programme announced in a statement in March. This set out decisions on a number of issues on which OFTEL had taken the industry's views in a consultative document issued in 1993.

2.3 The statement set out key features for the evolution of the interconnection regime:

- Accounting separation between different BT businesses
- Production of a transparent system showing how costs are allocated and attributed to interconnection services, and setting out cost drivers
- A standard list of interconnection charges available from BT Network to all operators – including BT Retail – under the same terms and conditions
- New rules to prevent undue discrimination in interconnection charges when BT makes changes to its retail tariffs
- New rules to ensure that BT does not discriminate between other operators or between other operators and itself in the quality of services provided.

2.4 A detailed work programme was drawn up and published. This identified all the tasks necessary to give effect to the changes. Joint industry/OFTEL Working

Groups were set up to carry forward a number of issues. These covered: New Services, Cost Drivers, Quality of Service, and Incremental Costs.

2.5 Changes to BT's licence were necessary to put the ICAS framework in place. OFTEL consulted widely on the terms of these amendments and on the detail of supporting documents. There were two rounds of informal consultation on the amendments in the autumn and a month of statutory consultation, due to finish on 31 January 1995. Subject to agreement by the BT Board the changes should be in place by 1 April 1995.

2.6 The licence amendments amount to a major revision of BT's licence. They have involved a great deal of OFTEL's resources and the industry too has made a very substantial input to the work. Under the new framework other operators will receive far more cost and financial data on the derivation of charges they pay to BT. This will give them much greater confidence that the charges are fair and transparent. They can see how charges are made up from their unbundled components and how these are costed. The licence amendments also provide the Director General with greater powers of investigation into cases of possible cross subsidy.

2.7 In addition, the licence amendments would introduce new restrictions on BT's freedom to change retail prices. Other operators are naturally profoundly concerned that BT's dominant position enables it to have a substantial effect on their own businesses through changes to its retail prices. In future BT would only be able to introduce retail price changes which involve under recovery of its own underlying costs if the conveyance charges to other operators for the services used are reduced correspondingly.

2.8 The March statement – *Interconnection and Accounting Separation: The Next Steps* – also identified a number of issues crucial to the further evolution of the regime which OFTEL would be taking forward later. These complex and longer term issues were addressed in *A Framework for Effective Competition*.

A Framework for Effective Competition

2.9 In December OFTEL published what many consider to be its most important Consultative Document to date. *A Framework for Effective Competition* discussed some potentially far-reaching and fundamental reforms of the regulatory framework and set in hand a major consultation exercise. This included public meetings around the UK planned for early 1995. The aim of the document is to consult on how best to ensure a workable, fair and transparent regime for the interconnection of competing operators to BT's network. The document makes clear that it is **not** proposing any change to three important concepts:

- the RPI-7.5% price cap before it expires in 1997
- the requirement that BT maintain geographically averaged tariffs – so customers pay the same price for the same service wherever they live
- the principle of Universal Service.

2.10 Part I of the document sets out alternative approaches to deriving the charges BT levies on competing operators for the use of the BT network. It looks at possible changes through four illustrative options. The most far-reaching of these – Option 4 – envisages a competitive market in which BT has the freedom to set interconnection charges subject to competitive forces and anti-competitive provisions sufficient to prevent it from abusing its market power. Clearly this is not possible today – or in the years immediately ahead – but reflects OFTEL’s ultimate goal of minimum regulation in a genuinely competitive market. The document asks whether some variant of this Option with some specific restraints on BT’s pricing freedom might be a realistic possibility for the medium term. The other three options are seen as possible staging posts along the road to the goal of a less detailed regulatory framework.

2.11 Option 1 involves making only small modifications to the current arrangements. Option 2 envisages setting interconnection charges on the basis of the

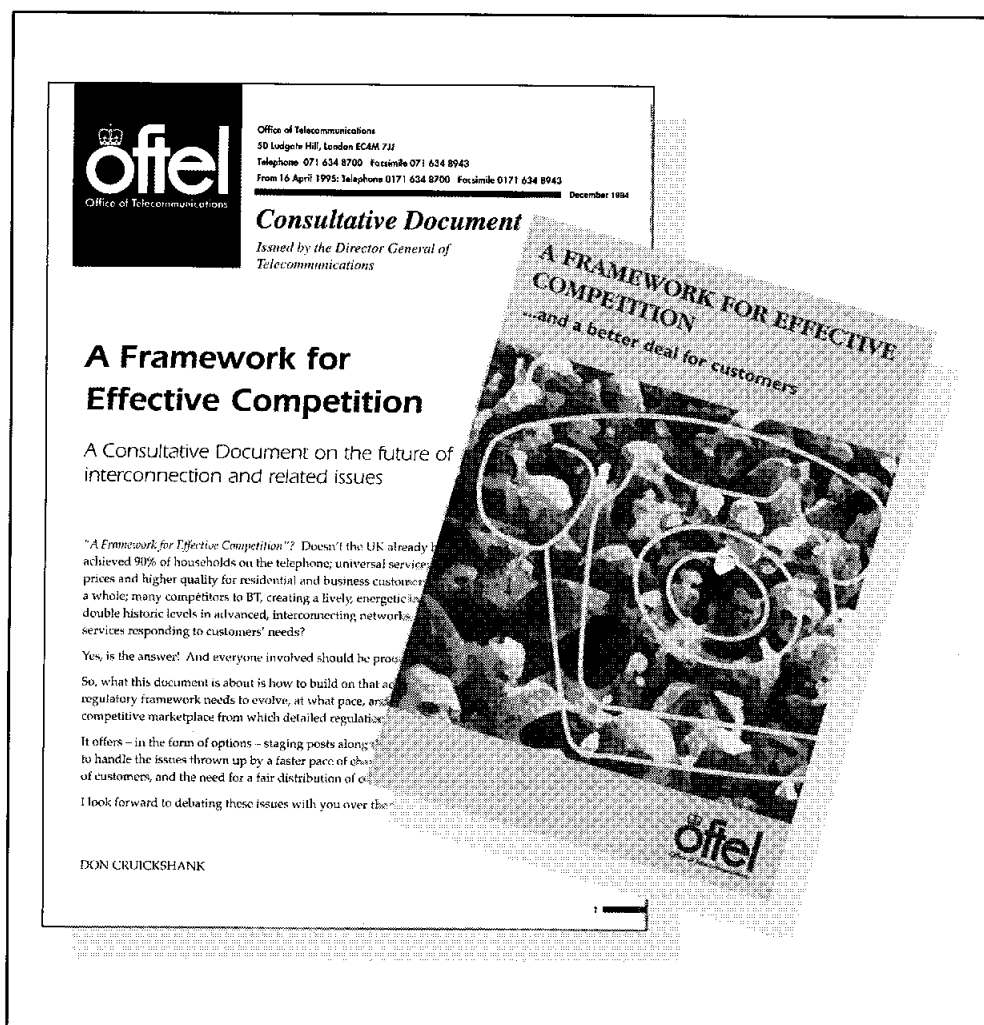


Figure 1 A Framework for Effective Competition Consultative Document and consumer booklet

incremental costs of providing a service (rather than fully allocated costs as currently) so as better to reflect the actual costs of providing that service. A system of mark-ups added to these charges could enable BT to recover its common costs.

2.12 Option 3 would involve adopting incremental costs on a charging basis but additionally discussed the lifting of the RPI+2% constraint on increases in BT's line rental charges. This would do away with the need for the current system of access deficit contributions (ADCs) which has proved complicated and been much criticised. With the overall price cap on the basket of BT's main prices unchanged increased rental charges would be offset by reduced call charges. OFTEL will only consider removing the restraint if it is satisfied that the interests of domestic customers are fully protected.

2.13 Part II of the document deals with a number of other important questions related directly or indirectly to interconnection:

- Should the balance of regulation change over time, away from detailed licence conditions towards the use of general anti-competitive provisions?
- Is there a continuing need for assistance for competitors to BT to promote sustainable competition?
- Should the restrictions on BT's ability to offer discounts to large customers be eased?
- Are arrangements for the interconnection of service providers best suited to encourage new services?
- Should interconnection be charged for other than on a pence per minute basis (eg by capacity)?
- At what level should the Universal Service be set and how, in a multi-operator market, might the costs of Universal Service be more appropriately funded by all operators?

2.14 The public consultation period ends on 31 March 1995. After assessing the results of the consultation OFTEL intends to set out its proposals for change to interconnection arrangements by the end of summer 1995.

Interconnection determinations and access deficit contributions (ADCs)

2.15 Throughout the year, the Director General was asked to intervene on a number of issues where an operator had been unable to agree certain terms and conditions of its interconnection agreement with BT. In accordance with OFTEL's policy of introducing transparency into the regulatory process, these issues were discussed with the industry through the New Services Working Group (see paragraph 2.4). By the end of the year, some matters had been resolved without the need for formal action and for others, draft determinations had been issued.

2.16 A number of operators asked the Director General to determine BT's conveyance and other interconnection charges. In order to avoid a large number of individual determinations, OFTEL proposed that the charges determined in

December 1993 as payable by BT to Mercury should apply to all operators subject to updating and a number of minor adjustments. All parties have agreed to this in principle.

2.17 In addition, a number of operators requested waivers of access deficit contributions (ADCs). The access deficit is a measure of the extent to which the cost to BT of providing and maintaining customers' connections to the network is not covered by connection and rental charges. To cover the access deficit, BT's call charges are higher than they might otherwise be. Although the balance of tariffs is shifting to reflect costs more closely, the price controls limit the speed of this change. In these circumstances, BT is vulnerable to unfair competition from other operators who use BT's network but whose tariffs are not regulated. BT's licence therefore makes provision for operators connecting with BT to pay an ADC for use of the local network in addition to a conveyance charge. But BT's licence also gives the Director General power to waive payment of the ADC in certain circumstances, in the interests of maintaining and encouraging competition.

2.18 In July 1994 the Director General granted a full waiver of ADCs until 31 March 1996 to each of ACC, WorldCom, COLT, MFS and Energis up to a market share of 10% of the international simple resale (ISR) market and to each of ACC, COLT, MFS, Energis and the respective group companies of Telewest, Videotron and Nynex on the first 10% of its share of the domestic market.

2.19 Further, in December 1994 the Director General granted a full waiver of ADCs until 31 March 1996 to each of Sprint and Telstra up to 10% of the international simple resale market and to each of Sprint, WorldCom and the respective group companies of Jones Cable, Telecential, Encom, SBC CableComms and Singapore Telecom on the first 10% of its share of the domestic market.

2.20 During the year the Director General determined the terms and conditions contained in the review clauses of 29 interconnection agreements between BT and other operators. This process allows the Director General to determine matters which are disagreed between operators following a formal review by the operators concerned of the terms and conditions of their interconnection agreements.

The Network Interfaces Co-ordination Committee (NICC)

2.21 The NICC was formed in late 1992 to create an industry-wide forum to ensure that relevant technical standards existed for important network interfaces. In this way technical barriers to the interconnection of networks and the interoperability of services can be avoided.

2.22 During 1994 the Committee undertook a major review of its work programme to ensure it better matched the priorities of OFTEL's ICAS programme and to clarify the timescales and accountability of its work. In December 1994 the Director General consulted widely throughout the industry to gain support for NICC's new work programme.

2.23 The Director General was particularly pleased at the responsiveness and effectiveness of the Committee in specifying the detailed technical arrangements required between operators to provide for number portability (see also paragraphs 2.24 to 2.27). Good progress was maintained during 1994 in the other longer term studies.

Numbering issues

Number portability

2.24 In January, the Director General announced that a cost-benefit analysis of number portability had been completed. This was carried out for OFTEL by consultants NERA. The analysis showed substantial net benefits accruing to the UK from the introduction of number portability. The Director General therefore announced that he intended to proceed with introducing number portability where this was requested by other operators, using the powers of direction available to him under the terms of BT's licence.

2.25 Work by the Network Interfaces Co-ordination Committee to produce an industry-agreed technical interface for number portability was completed in August (see paragraph 2.23). At the same time, the Director General announced the first directions to BT to make number portability available to a competitor – in this case the cable company Videotron.

2.26 However, negotiations between Videotron and BT subsequently foundered on the issue of the commercial terms on which number portability was to be provided. This breakdown stemmed from a fundamental difference of opinion between BT on the one hand and other operators and OFTEL on the other as to the appropriate basis for allocating the costs of portability.

2.27 In the light of this, OFTEL reviewed the Director General's existing powers to determine the allocation of costs. Having concluded that they were limited, at the end of the year the Director General began informal consultation on a modification to BT's licence which would give him this power of determination and enable this particular obstacle to be removed. The Director General reiterated his belief that the introduction of number portability was one of OFTEL's most urgent priorities.

The UK Numbering Scheme

2.28 During 1994 OFTEL took over the management of the UK Numbering Scheme from BT. The Numbering Administration Unit (NAU) was set up in January for this purpose. Draft Numbering Conventions setting out the rules for the management of the Scheme and describing its structure were published in March. Following this consultation, Issue 1 of the Conventions was published in June and OFTEL began processing applications for numbering capacity on 21 June.

2.29 During the summer the NAU, as part of the development of its database, reconciled over 80,000 records held previously by BT with OFTEL's own information and with records held by other operators. In October the Director General determined the Specified Numbering Scheme, as required by operators' licences.

2.30 The list of the Scheme giving information on all codes and on blocks of 10,000 numbers is now available for inspection in OFTEL's Library. Operators were provided with the list in computer readable form. The NAU publishes monthly *Numbering Bulletins* showing changes to the list and providing more general numbering information.

2.31 During the second half of 1994 the NAU made 497 allocations and reservations of blocks of capacity to operators in geographic numbering ranges and 64 allocations and reservations of non-geographic capacity (codes for freephone, premium-rate and mobile services). More details about the activities of the NAU will be published in the Numbering Scheme Manager's Annual Report.

European numbering

2.32 In November OFTEL published a consultative document on the numbering of pan-European telecommunication services. See paragraph 6.15 for more details.

Directory enquiries

2.33 In March, the Director General announced the completion of an OFTEL enquiry into directory enquiry services. The enquiry had looked at the provision of directory enquiries, directory products (including *Phonebooks*), and of directory information between operators. An industry workshop was held in February, and OFTEL also commissioned consumer research to explore the attitudes of ordinary telephone users to changes in the use of directory information.

2.34 The Director General's main conclusions following completion of the study were:

- Work should continue on a Code of Practice covering the provision of directory information services between operators.
- BT's charges for the provision of directory information to other operators should be examined and determined if necessary.
- Other operators should have greater freedoms to produce their own printed directories.
- Operators should not be required as a matter of course to make directory information available to non-operators for the purposes of providing directory information services or producing directories.

2.35 For the future, the Director General said that he would consider proposals from companies wishing to establish additional directory information databases in order to provide competition to BT in the provision of directory information.

Optical fibre networks and multimedia services

2.36 During 1994 there was considerable interest in the development of the so-called Information Superhighway and the interactive multimedia services of the future it might convey. The Director General contributed at the beginning of the year to the Trade and Industry Select Committee's investigation into this area. The Committee published its report – *Optical Fibre Networks* – in the summer. OFTEL's response, published in November, welcomed the significant contribution of the report and of the Government's Command Paper *Creating the Superhighways of the Future: Developing Broadband Communications in the UK* also published in November. Both helped to focus attention on the importance of developing broadband services as well as broadband infrastructure.

2.37 The optical fibre network needed to convey these services was already being installed at a fast pace in 1994, in both the main and local networks. Existing infrastructure was being enhanced with the use of innovative technologies such as Asymmetric Digital Subscriber Loop which enables video-quality pictures to be conveyed down normal telephone wires.

2.38 During the year trials of multimedia applications were taking place throughout the country. BT completed an initial technical trial of a point-to-point interactive multimedia service which would include video-on-demand, home shopping and telebanking. Nynex was working with the University of Salford, the cities of Manchester and Salford, and the local police forces to develop possible local authority, health, and law and order applications. In September Videotron announced the introduction of a broadband business service direct to personal computers in the City of London and Westminster. In the same month Cambridge Cable launched a trial of digital interactive TV using world-leading technology. Services offered included personalised news, video-on-demand, education, music, games and home shopping.

2.39 The Director General encouraged the industry to exchange information and ideas in the light of multimedia trials. He also made clear his concern that there should be no obstacles within the regulatory regime to service innovation so that UK customers could get the full benefit of the new interactive services being developed. He was looking for improvements to the regime which would not deter vital infrastructure investment. OFTEL intends to publish a consultative document in 1995 addressing the issues raised by the regulation of multimedia services.

Pricing flexibility for large customers

2.40 BT, Mercury and Kingston Communications are required by their licences to publish details of their tariffs and to offer such tariffs to customers on a non-discriminatory or preferential basis. These provisions ensure that anti-competitive special tariffs are not introduced and help to safeguard the long-term development of competition.

2.41 Guidelines agreed with OFTEL allow BT to offer discounts from its published tariffs. It has been allowed to increase the rate of discount gradually – in steps of 20% of the difference between its published tariffs and prices which would simply cover its fully allocated costs (FACs). The aim of the guidelines is to allow BT to compete for large contracts but to place a restraint on its ability to prevent competitors entering the market. OFTEL's view is that such discounted tariffs must appeal to a broad selection of customers and be available to all meeting the criteria for eligibility.

2.42 Within this framework tariff flexibility has already been widely used in both the residential and business markets. BT would like to offer more, especially to large business customers, but such pricing flexibility could have an adverse effect on the development of a more competitive market.

2.43 OFTEL has held a series of meetings with large business users of telecommunication services to help assess the case for greater tariff flexibility. All the organisations interviewed would like discounts to reflect their spend, but there was also a welcome recognition that too great an element of discounting now could damage the development of sustainable competition in the longer term.

2.44 In reaching a conclusion OFTEL has had to consider whether competition is yet sufficiently established for deeper discounting to business customers to be acceptable. If it had an adverse effect on BT's competitors and a diminution in competition resulted, the longer-term costs to consumers would be significant. In OFTEL's view it would be premature at the moment to allow BT more flexibility. OFTEL concluded that the current safeguards should remain in place until after August 1995 and be reviewed in the light of experience gained from the full transitional move to the FAC floor referred to above. The impact of any new interconnection regime resulting from the consultative exercise following the publication of *A Framework for Effective Competition* (see paragraphs 2.9 to 2.14) must also be taken into account. This Consultative Document also sought views on the issue of pricing flexibility.

Are companies competing fairly?

2.45 In August the Director General published the findings of a study on the business practices of companies operating in the market for telecommunications services and equipment. The study was commissioned to see whether any were behaving in an anti-competitive way. The results of the survey were generally reassuring.

2.46 Providing inaccurate or misleading information about competitors is not helpful to consumers. Some evidence of denigration was apparent, but there was no suggestion that this was an organised, widespread activity.

2.47 Lower prices were found to be the key factor when consumers choose a supplier of telecommunications services. It is therefore important that suppliers do not breach rules governing the tariffs they may offer. No evidence was found

of operators offering discounts beyond those permitted by their licences or of bundling of services, or services and equipment, in an attempt to exclude competitors.

2.48 Telecommunications companies should have clear rules and adequate training to ensure that their staff know what behaviour is allowed and what is prohibited. This is particularly important as competition increases. The Director General was concerned at the lack of awareness of such rules among companies' customer facing staff. Companies were asked to review and strengthen their compliance programmes.

Investigations following complaints

2.49 OFTEL handled a wide range of complaints from the industry and other operators during 1994 (as opposed to consumer complaints which are discussed in paragraphs 4.8 to 4.17). These are generally about anti-competitive practices (see the breakdown in Table 1). During 1994 several cases led to in-depth investigations into important and complex regulatory issues, some of which are discussed below. There was also an increase in proactive work, such as the scrutiny of tariff notifications and the monitoring of trials, which was undertaken in order to resolve problems before they became the subject of complaints. This work also reflects OFTEL's intention to give greater priority to anti-competitive investigations and the use of the full range of OFTEL's powers in this area. How anti-competitive practices should be prevented in future is one of the issues discussed in the Consultative Document *A Framework for Effective Competition* (see paragraphs 2.9 to 2.14).

Mobile service provision

2.50 On 17 May 1994 the Director General announced the results of an investigation into allegations by Talkland International (UK) and other companies. The complainants alleged that the mobile service provision businesses owned by members of the groups of which the mobile network operators were also members (the Tied Service Providers or 'TSPs') were being unfairly cross-subsidised, that undue preference was being shown to these TSPs and that the network operators were abusing their dominant positions to impose unfair contract terms on service providers.

2.51 The Director General concluded that unfair cross-subsidies had been and continued to be provided by BT plc to BT Mobile Communications, and by Vodafone Group plc to Vodac Ltd, and issued Directions under the appropriate conditions of BT's, Cellnet's and Vodafone Ltd's licences requiring steps to be taken to remedy these situations. He also announced that to ensure a fair trading environment for independent service providers all the TSPs would be required to comply with certain specified profitability criteria (from 1 June 1994 in the case of most of them) and provide quarterly financial returns to enable compliance to

Table 1 Written complaints and enquiries from the industry and other operators (which often involve detailed investigation into anti-competitive practices and licence issues)

	1993	1994
Fixed link telephony		
BT		
Tariffs and charges	16	13
Installation, maintenance of wiring and equipment	15	3
Anti-competitive practices	13	14
Apparatus	2	0
Emergency services*	112	11
Number portability	n.a	1
Directory enquiries	n.a	8
Mercury	9	9
Hull	2	1
Radiopaging and mobile telephony		
Paging†	26	7
Cellular radio†	305	132
PCN†	25	50
Band III PMR	9	4
Total	534	253

* The reduction in complaints reflects the end of the 999 emergency call service review
† The figures for 1993 include consumer complaints which were excluded from the 1994 figure (see paragraphs 4.8 to 4.17)

be monitored. If unfair cross-subsidies were found to exist in the future this would result in appropriate regulatory action.

2.52 The TSPs immediately affected were BT Mobile Communications, Call Connections Ltd, Vodac Ltd, VHL Communications Ltd and Securicor Cellular Services Ltd. The new mobile networks would be allowed a year from launch before becoming subject to the decision, but from 1 October 1994 the criteria would also be applied to the Direct Services Business ('DSB') of Mercury Personal Communications Ltd ('MPCL') and from 1 May 1995 to the DSB of Orange Personal Communications Services Ltd ('Orange') and Hutchison Cellular Services Ltd.

2.53 The Director General concluded that most of the allegations of undue preference were not well founded.

2.54 On 17 October 1994 the Director General announced that he had revoked the Directions given to BT plc and Cellnet in relation to BT Mobile, on the grounds that they were no longer necessary in the light of evidence submitted to him which showed that at the time they were given BT Mobile was already complying with the criteria for profitability set out in those Directions. The Direction given to Vodafone Ltd in respect of Vodac Ltd was revoked for similar reasons on

21 October 1994. In each case the Director General stressed that the decision had no effect on the profitability he was expecting BT Mobile and Vodac Ltd, respectively, to achieve, and that financial monitoring of these businesses to ensure compliance with the criteria would continue.

BT Managed Network Services (BTMNS)

2.55 BTMNS (previously known as BT Tymnet Europe) provides value-added data network services. In December OFTEL announced the results of a lengthy investigation, using independent accountants, into allegations of cross-subsidy of BTMNS's activities from BT's core business and of predatory pricing. The Director General was disappointed that the accounting methods used by BT did not allow his appointed accountants to follow transactions at a level of detail sufficient to allow him to reach a conclusion on the serious allegations made against the company.

2.56 The period originally investigated was 1990/91 to 1992/93. BT provided assurances that it would improve its accounting systems. These assurances will be tested and the investigation will be extended to cover 1993/94.

Duct and pole sharing

2.57 During 1994 OFTEL received a number of complaints from public telecommunications operators (PTOs) and other interested parties regarding BT's policy on duct and pole sharing. As a result OFTEL initiated a review of BT's policy for duct and pole sharing and its implications on the telecommunications market. OFTEL is aiming to conclude the review by spring 1995.

2.58 The review will look at whether there is any evidence that the current restrictions on sharing ducts and poles, particularly on public land, may act as a barrier for new companies considering entry to the telecommunications market. The extent to which problems exist over duct/pole sharing on private land and premises, and whether these may give rise to competition issues, will also be investigated. OFTEL's current view is that there should be some liberalisation in BT's policy towards duct and pole sharing.

2.59 BT has carried out an internal review of its existing policy for duct and pole sharing and BT's proposals are expected by the end of February 1995. To obtain as complete a picture as possible OFTEL is carrying out a survey of a number of interested parties.

Market information

2.60 With the development of competition in the UK telecommunications market, it was recognised that there was little in the way of statistics available on the growth of public telecommunication operators and the use they were making of their licences. For OFTEL to make progress towards its goal of providing –

through effective competition – the best possible deal for the customer in terms of quality, choice and value for money, it was felt that a better and more detailed understanding of the telecommunications market in the UK was needed. To fill this gap, OFTEL launched an exercise to obtain authoritative market statistics on telecommunications services.

2.61 During 1994 OFTEL established a system for collecting data on telecommunications markets from all of the public telecommunications operators and service providers in those markets. Information relating to the two twelve-month periods 1 April 1992 to 31 March 1993 and 1 April 1993 to 31 March 1994 was supplied to OFTEL by operators. OFTEL recognises that this has been a major exercise for many operators, requiring considerable resources to set up the systems necessary to supply the information in the format requested. Provision of subsequent data should be less onerous.

2.62 A summary of the information collected will be published in early 1995. Some of the statistics collected during this exercise are given in Tables 2.3 to 2.6 of the Appendix to this *OFTEL Annual Report*.

2.63 As the market develops, statistics on particular services will be shown in increasing detail and information will be given on every operator, taking care not to conflict with the interests of competition. This openness will lead to a better appreciation of the growth of the sector, the increase in competition and the opportunities available for potential competitors.

LICENCES – NEW AND OLD

New operators' licences

3.1 As in previous years OFTEL was heavily involved throughout the year in advising the DTI on the granting of new licences. Between the Duopoly Review in 1991 and the end of December 1994 a total of 111 applications for new licences had been received by the Department of Trade and Industry. Since the ending of the duopoly policy in 1991 a total of 60 new licences have been granted, of which 31 were granted in 1994. These included the following public telecommunications operator (PTO) licences:

○ Norweb plc	(3 March)
○ Videotron City & Westminster Ltd	(3 March 1994)
○ Sprint Holding (UK) Ltd	(31 March 1994)
○ Telstra (UK) Ltd	(31 March 1994)
○ WorldCom International Inc.	(31 March 1994)
○ Racal Network Services Ltd	(2 September 1994)
○ AT&T	(20 December 1994)

3.2 In addition a PTO licence was granted to Telecom Securicor Cellular Radio Ltd (Cellnet) to run a mobile network using fixed links. A full list of new licences granted in 1994 is given in **Informing the Public**, Table 10.

3.3 At the end of the year there were 33 licence applications under consideration by the Department of Trade and Industry.

International simple resale

3.4 1984 saw further progress in the development of international simple resale (ISR). On 20 October the President of the Board of Trade designated the US as equivalent for the provision of ISR, following previous designations of Canada, Australia and Sweden. The US Federal Communications Commission had already announced in September that the UK met the US equivalence test for ISR.

3.5 On 20 December, UK licences were granted to two large operators: Concert (the joint venture of BT and MCI) and AT&T. The Concert licence brought the number of licences issued specifically to carry out ISR to five. The AT&T licence, in common with other PTO licences, also authorises the licensee to carry out ISR.

3.6 The addition of the United States to the list of countries found equivalent for ISR is expected to increase significantly the volume of ISR traffic and may encourage more applications for ISR licences on both sides of the Atlantic. It is hoped that this will further increase competition and lead to reductions in accounting rates. This should give customers a better deal for international services through more choice and reduced charges.

BT's prices

Price changes during 1994

3.7 Under the RPI-7.5% constraint BT was required to reduce its main prices by £552m in the year ending 31 July 1994. The total reduction in BT's controlled prices between August 1993 and July 1994 amounted to £553m. BT therefore met its agreed price control obligations. The price changes made during 1994 to achieve this were as follows.

3.8 The introduction from January of BT's Light User Scheme contributed towards its required reduction in controlled prices as the new scheme is more generous than those it replaced and resulted in a net loss of rental income to BT. BT is required under its licence to have a low user scheme. The new Scheme was introduced after the Director General reached agreement with BT on new guidelines under its licence in December 1993.

3.9 In February BT increased business and residential exchange line rentals by 3.2% and rentals for wholesale lines by 6.2%. These were consistent with the constraint of RPI+2%, and RPI+5% for wholesale lines. At this time BT also introduced a reduction in rental charges of £1 per quarter for residential customers who pay their bills by direct debit.

3.10 At the same time as rental charges increased BT reduced the cost of calls to Australia and New Zealand. The increased timing allowances had the effect of bringing down the cost of calls by 15.8% at standard rate and 12.5% at cheap rate.

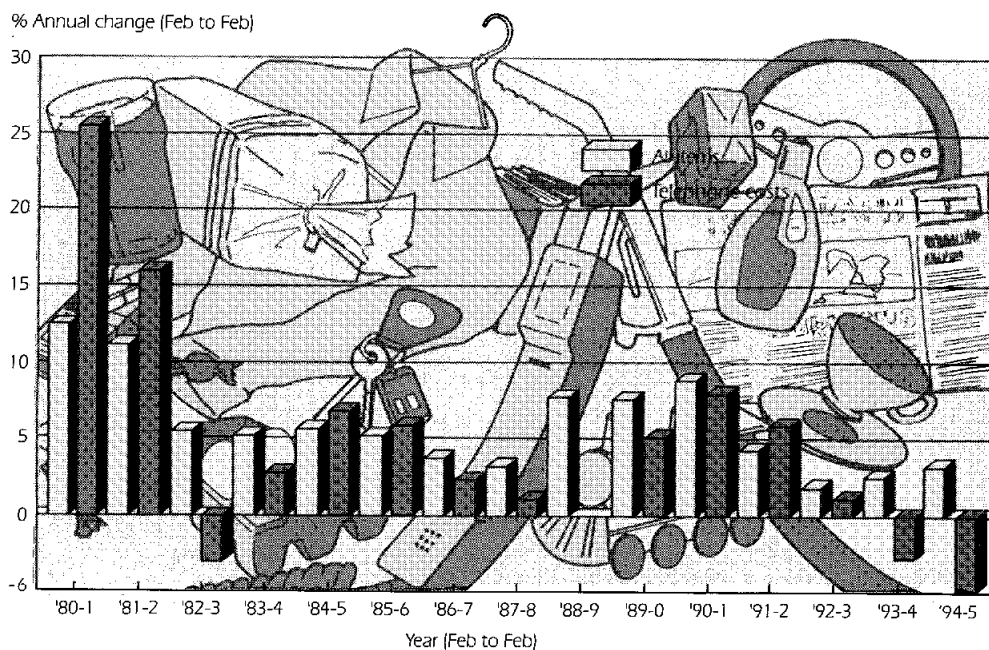


Figure 2 Annual percentage change in the Retail Prices Index for all items and for the telephone costs components (BT) in the UK (February to February up to 1993/94, January to January for 1994/95)

Table 2 Summary of BT price changes controlled by Condition 24 of its licence

	Nov'84	Nov'85	Nov'86	Nov'87	Nov'88	Sep'89	Sep'90/ Apr'91	Sep'91	Jan'93/ Jul'93	Sep'93/ Jun'94	Aug'94/ Dec'94
	%	%	%	%	%	%	%	%	%	%	%
Change in RPI											
in base period	+5.1	+7.0	+2.5	+4.2	+4.6	+8.3	+9.8	+5.8	+3.9	+1.2	+2.6
RPI minus X ¹	+2.1	+4.0	-0.5	+1.2	+1.6	+3.8	+5.3	-0.4	-2.4	-6.3	-4.9
Permitted increase ²	+2.1	+4.1	-0.1	+1.3	+2.8	+3.8	+5.5	-0.2	-1.0	-6.9 ³	-4.9
Changes in price of exchange line rental: ⁴											
domestic	+7.1	+8.5	+3.7	0.0	0.0	+10.0	+11.6	+7.8	+5.9	+3.2	0.0
business	+6.8	+8.8	+3.9	0.0	0.0	+10.1	+11.8	+7.7	+5.9	+3.2	0.0
Changes in price of connection charges:											
domestic	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	-0.1	0.0
business	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	-24.6	0.0
Change in the effective price of:											
Local calls											
peak ⁵	+6.8	+6.4	+18.9	0.0	0.0	0.0	-4.5	+3.5	0.0	-22.6	-
standard	+6.8	+6.4	+6.4	0.0	0.0	+4.3	-4.5	+4.7	0.0	0.0	0.0
cheap	+6.8	+6.4	-3.6	0.0	0.0	+3.7	+10.1	+4.6	0.0	0.0	0.0
National 'a'											
peak ⁵	+6.8	+6.4	+1.6	0.0	0.0	0.0	-8.8	0.0	0.0	-23.2	-
standard	+6.8	+18.3	+1.1	0.0	0.0	0.0	-9.0	0.0	0.0	-0.2	0.0
cheap	+23.1	+6.4	+2.7	0.0	0.0	+3.6	+6.0	+4.9	0.0	-0.2	0.0
weekend cheap ⁶	-	-	-	-	-	-	-	-	-	-9.0	0.0
National 'b1' ⁷											
peak ⁵	-10.3	-14.0	-12.0	0.0	0.0	0.0	-9.9	0.0	0.0	-23.3	-
standard	-10.2	-13.8	-12.0	0.0	0.0	0.0	-10.0	0.0	0.0	0.0	0.0
cheap	+6.8	+6.4	-12.0	0.0	0.0	0.0	+7.1	+4.9	0.0	0.0	0.0
weekend cheap ⁶	-	-	-	-	-	-	-	-	-	-41.1	0.0
National 'b' ⁷											
peak ⁵	-14.0	-6.2	-16.0	0.0	0.0	0.0	-10.2	0.0	0.0	-23.5	-
standard	-13.9	-4.9	-17.0	0.0	0.0	0.0	-10.1	0.0	0.0	0.0	-18.6
cheap	+6.8	+6.4	-6.2	0.0	0.0	0.0	+7.0	+4.9	0.0	0.0	-23.6
weekend cheap ⁶	-	-	-	-	-	-	-	-	-	-55.2	0.0
International calls	n.a	n.a	n.a	n.a	n.a	n.a	n.a	-9.8	-4.7	-5.5	0.0
Weighted average	+2.0	+3.7	-0.3	0.0	0.0	+3.5⁸	+5.3	+2.1	+1.0	-6.9	-4.2
Overall weighted average⁹	+2.0	+3.7	-0.3	0.0	0.0	+3.5	+5.3	-0.7	-0.9	-6.9	-4.2

Notes:

¹ 1984-1988, X = 3; 1989-1991, X = 4.5; 1991-1993, X = 6.25; from 1 August 1993, X = 7.5

² After allowing for carryover of unused allowances from previous years

³ Taking into account an adjustment from the previous year

⁴ Exchange line with a basic telephone instrument in November 1984; exchange line excluding instrument thereafter

⁵ In March 1994 'peak' rate amalgamated with 'standard' rate to become 'daytime' rate

⁶ On 4 December 1993 BT introduced its new national weekend call rate

⁷ In 1986, and again in 1989, routes were transferred from 'b' to 'b1'. Allowances were made for this in computing the weighted average. In September 1994, the 'b' rate was eliminated

⁸ Includes allowance for reduction in the number of concessionary days

⁹ Includes optional packages and standard unit discount fees from September 1991 to July 1993 only

n.a. Not applicable - not included in the basket of controlled services

Source: OFTEL

3.11 In March BT reduced its prices for local and national calls by removing the peak rate from its tariff structure. There were exceptions to this. Calls from BT payphones, calls using BT Chargecards and calls to cellular telephones continued to have a peak rate in their tariffs until September.

3.12 BT completed the price reductions it was required to make in the 1993/94 control year in June by reducing the cost of international direct dialled calls to a number of countries. The largest reductions affected calls to Japan, the Republic of Ireland, Israel and Bahrain. At the same time BT brought the charge period structure for international calls into line with that for inland calls. This resulted in at least ten extra hours per week in the cheap rate with the cheap rate applying from 6 pm to 8 am every week day and all weekend. Customers should find it easier to remember at what time cheap rates apply to international calls.

3.13 The RPI-7.5% constraint for the year from 1 August 1994 to 31 July 1995 requires BT to reduce its prices by a total of just under £400m. However for this control year BT must meet an additional requirement. Early in 1994 the Director General announced he had agreed with BT that the combined effect of individual price changes in any one control year should be equivalent to a single change made no later than 1 November. This ensures that customers get the benefit of price reductions early on in the price control year. BT's licence was amended in September to reflect this new arrangement on the timing of price changes.

3.14 In September BT reduced the cost of inland directory enquiry calls by 45% to 21p (plus VAT), compared with the previous charge of 37.8p (plus VAT). In the same month a single long distance charge for weekdays was brought in by removing the 'b' charge rate and charging all such calls at the cheaper 'b1' rate.

3.15 In October BT reduced the cost of taking over an existing telephone line where there has been a break in service. This went down from £25 (including VAT) to £9.99 (including VAT). There is no charge for taking over a line on the day that the previous customer gives up the service.

3.16 In total the price changes implemented by BT by early October reduced BT's prices by nearly £350m. BT had made good progress towards meeting the price reductions needed and the new timing requirement. (See also Table 2.)

Private circuit prices

3.17 For the price-control year ending 31 July 1994 the three newly separated BT private circuit baskets were each limited to maximum permitted increases of RPI. Average changes in the inland analogue, inland digital and international baskets during that year were +1.2%, -1.4% and -9.2%, respectively, so BT had complied with the RPI constraint of +1.2% in each case.

3.18 In January BT increased rental charges for analogue international private leased circuits by up to 3.22%. Connection and re-arrangement charges for most international circuits were also increased and the analogue to digital migration path for existing BT customers was re-introduced.

Table 3 Summary of BT private circuit prices controlled by Condition 24B of its licence (1989–1994)

	'89/'90	'90/'91	'91/'92	'92/'93	'93/'94	Dec'94/ Jan'95
	%	%	%	%	%	%
Change in RPI in base period	11.3 ¹	9.8	5.8	3.9	1.2	2.6
Permitted increases: ²						
National digital						5.3
National analogue	11.3	9.8	7.8	4.3	1.2 ³	2.6
International						13.1
Change in the price of private circuits:						
National digital						
MegaStream						
connection	2.9	-2.4	-15.7	-5.9	-15.9	0.0
rental	21.7	-3.7	-0.1	-4.4	-2.0	-0.9
KiloStream						
connection	0.0	9.3	9.8	0.0	0.0	0.0
rental	0.0	-0.9	-1.7	0.0	0.0	-0.01
National digital total	n.a	-1.6	-1.6	-2.1	-1.4	-0.3
National analogue						
connection	13.8	14.7	28.1	3.9	2.5	0.9
rental	11.9	11.1	10.6	3.8	1.1	2.6
National analogue total	n.a	11.6	12.9	3.8	1.2	2.4
International analogue	n.a	n.a	2.0	6.0	2.2	4.4
International digital	n.a	n.a	-1.1	0.0	-14.4	-3.9
International total	n.a	n.a	0.5	2.4	-9.2	-1.5
Weighted average	11.3	7.8	7.4	1.8	-0.9	0.9

Notes:
¹ The price constraint for the first year was the increase in RPI over 16 months
² After allowing for carryover of unused allowances from previous years
³ Since August 1993, there have been three separate private circuit baskets each with overall price rises limited to a maximum increase of RPI
n.a Not available
Source: OFTEL

3.19 In June BT extended its offer of a special upgrade charge for inland customers with analogue private circuits wishing to migrate to KiloStream.

3.20 For the 1994/95 price-control year the RPI constraint is +2.6%. Having allowed for the carry-over of unused allowances from the previous year the three baskets are bound by the following maximum permitted increases: +2.6% for inland analogue circuits, +5.3% for inland digital circuits and +13.1% for international circuits.

3.21 In December the basket of inland analogue private circuits was increased in price by 2.36% which was below the RPI constraint of 2.6%. The prices of some medium and long distance circuits were increased up to the permitted maximum for individual analogue circuits of RPI+2%, with short and very long distance circuits experiencing smaller increases.

3.22 Also in December, the basket of inland digital private circuits was reduced in price by 0.34%. This change was a result of MegaStream rental charges being reduced on average by 0.9% and KiloStream rental charges being reduced on average by 0.01%. (See Table 3 for price changes.)

Emergency call services

3.23 OFTEL continued to monitor closely the provision of emergency call services. BT and Mercury carried on handling emergency calls originating on their own networks and calls from other operators' networks by agreement. Kingston Communications in Hull continued to handle emergency calls originating in its licensed area only. Table 4 shows how the three operators dealing with emergency calls performed in 1994. Note that Kingston Communications monitors its service on a basis which does not allow a common format for all three operators.

Mobile markets

3.24 All the mobile telephone networks continued to experience strong customer growth in 1994. Most of it was accounted for by an increase in the number of subscribers to the low-user tariffs aimed at the residential market. Two new digital networks were launched during the year – a DCS 1800 network in April by Orange

Table 4 Emergency call performance of BT, Mercury and Kingston Communications (Hull) in 1994

	BT	Mercury	Kingston
Estimated number of calls in 1994 (millions)	21.70	0.44	0.20
Percentage of calls answered by PTO operator			
within 5 sec	92%	90%	
between 5 and 15 sec	7%	9%	
after 15 sec or more	1%	1%	
Estimated average time taken for PTO operator to answer call (sec)			1.1

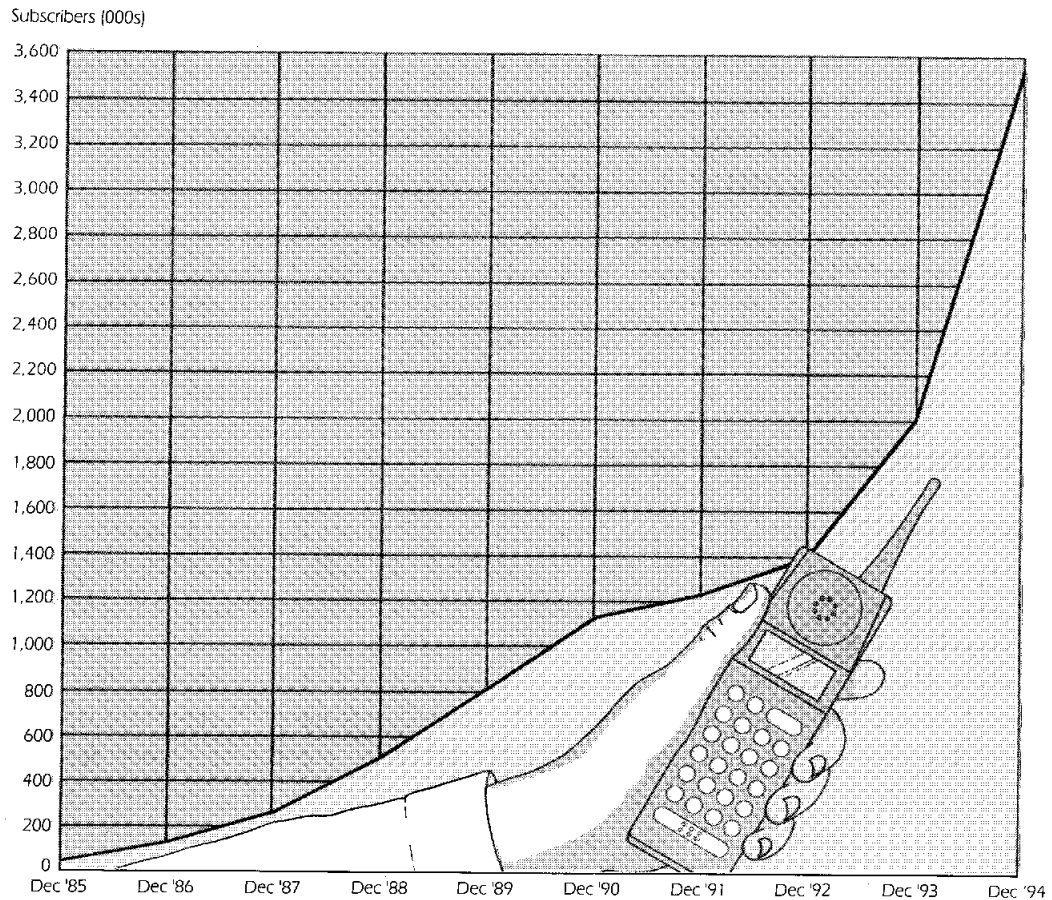


Figure 3 Estimated number of cellular radio subscribers in the UK (cellular radio services began in January 1985). Mercury One-2-One is included from 1993 onwards and Orange in the 1994 figure

Source: CIT Research and other sources. 1991 onwards, *Financial Times Mobile Communications*

Personal Communications Services Ltd ('Orange' – formerly Hutchison Microtel) and Cellnet's new GSM network in September 1994. DCS 1800 technology is a variant of GSM.

3.25 A new licence was granted on 22 March to Cellnet permitting it to:

- deal directly with end-users as well as through service providers
- provide customers with fixed as well as mobile services
- self-provide fixed links.

This brings Cellnet into line with Vodafone which was granted a similar licence in December 1993.

Cellular radio (TACS, GSM and DCS 1800)

3.26 At the end of 1994 there were just over 3.5 million mobile telephones registered on the UK networks – an increase of around 75% on the figure for December 1993 (see Figure 3). The dominant networks continued to be the TACS (Total Access Communications System) analogue systems operated by Cellnet

and Vodafone. However, with the launch of Cellnet's GSM and Orange's DCS 1800 digital networks, and improved coverage of Vodafone's GSM networks and the DCS 1800 network of Mercury Personal Communications Ltd ('MPCL', trading as Mercury One-2-One), the number of digital telephones in use grew from about 40,000 to around 460,000 during the year.

3.27 GSM telephones can be used both on the home network in the UK, and in countries where the operator has a roaming agreement. GSM roaming arrangements are available with most countries of Western Europe and are becoming available further afield. The DCS 1800 operators also have roaming agreements with other DCS 1800 networks in Europe and overseas.

3.28 Orange launched the first phase of its service in April 1994. It aims to have 90% coverage of the population by the end of 1995. Mercury One-2-One extended its coverage from the area bounded by the M25 to the West Midlands and M1 and M40 corridors.

3.29 With increasing competition, customers in the mobile market have seen a considerable expansion in the choice of mobile tariffs they are offered. For example Orange offers a choice of five tariffs, each giving different amounts of free airtime per month, and Mercury One-2-One continues to offer free off-peak local calls. Cellnet and Vodafone still market exclusively through service providers but offer several wholesale tariffs catering for the business and domestic (low call volume) markets. Mercury One-2-One and Orange so far only sell direct to the public.

3.30 OFTEL's investigation into the provision of mobile service by tied service providers is discussed in paragraphs 2.50 to 2.54.

Wide area radiopaging

3.31 There have been no major developments in the paging industry which have a bearing on regulatory policy. The UK maintains its position as the heaviest user of pagers in terms of absolute numbers (about 790,000) but growth remained

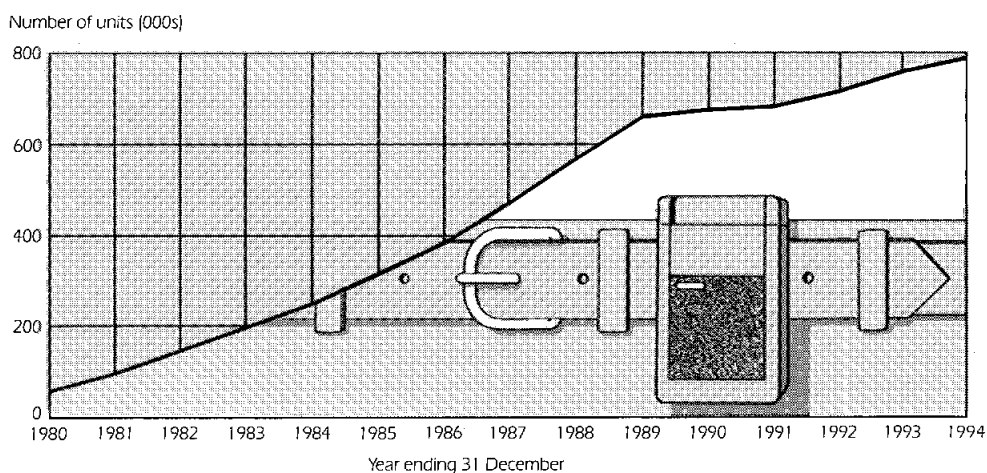


Figure 4 Estimated number of wide area radiopagers in use in the UK

Source: CIT Research and other sources. 1991 onwards, *Financial Times Mobile Communications*

sluggish both in comparison with other mobile technologies in the UK and other paging networks in Europe (about 4.5% to December 1994 – see Figure 4).

Public access mobile radio (PAMR) – Band III

3.32 On 26 October Trade and Industry Minister Ian Taylor announced nine new regional licences to encourage more competition in the provision of trunked public access mobile radio services (see Table 5).

3.33 The awarding of these licences followed a review earlier in the year of demand for channels in sub-bands 1 and 2 of Band III of the radio spectrum. After the review applications were invited from those operators which had expressed an interest in the nine new licences available. Where the number of expressions of interest exceeded the number of licences available the licences were awarded through competition.

Private mobile radio (PMR)

3.34 These are systems with no public access. The main development in 1994 was the issuing of two class licences which are discussed later on (see paragraphs 3.49 and 3.50).

Dedicated radio data networks

3.35 Mobile and fixed radio data conveyance services continued to be provided by Cognito Ltd, Ram Mobile Data Ltd, Paknet Ltd and Hutchison Mobile Data Ltd ('HMD'). Most of the radio spectrum allocated to these networks is in bands designated primarily for mobile use.

3.36 On 31 May 1994 the Department of Trade and Industry announced a consultation exercise on a proposal to offer a licence to provide a fifth public mobile data service. On 3 October applications for this licence were invited. The result was not known at the end of the year.

Table 5 New regional PAMR licences

Area	Operator
Manchester	Trunked Radio Networks Ltd
Manchester	Norweb Communications Ltd
London	Radionet Network Services Ltd
Birmingham	RT Radiophones Ltd
Southampton/Wiltshire	Trunked Radio Networks Ltd
Yorkshire/Humberside	Trunked Radio Networks Ltd
Tyne Tees	Trunked Radio Networks Ltd
Aberdeen/Dundee	Trunked Radio Networks Ltd
Borders/Glasgow/Edinburgh	Trunked Radio Networks Ltd

Cable operators

Broadband cable operators

3.37 1994 was another significant year for the UK broadband cable industry. The pace of network construction accelerated considerably. The number of customers switching to cable for TV and telephony increased rapidly. The first flotation of a cable company on the UK stock market was a marked success and demonstrated the financial community's growing confidence in the industry.

3.38 A total of 125 licences have now been awarded to cable franchisees covering two-thirds of the UK's population. 80 of these are now operational and providing services to customers, compared with 65 at the end of 1993. During 1994 a further 1.4 million homes were passed by the cable operators making a total of 4.5 million homes passed by the end of the year. Cable is due to pass 2.5 million additional homes in 1995, and a further 3 million in 1996. An estimated £3.2 billion has now been invested in the UK cable network with a further £2 billion expected to be invested in 1995. At the end of 1994 a total of 909,000 homes were subscribing to cable television. This represents an increase of 49% during the course of the year. The rate of market penetration, ie the proportion of subscribers to those who have been passed, has remained steady at around 21.5%.

3.39 There was a further large increase in the number of customers switching to cable for telephony services. By the end of 1994 total subscribers numbered 717,000, an increase of nearly 130% during the year. Of these more than 68,000 are business customers. 106 operators are now authorised to provide telephony in their franchise areas.

3.40 The first of the new Local Delivery Operator (LDO) licences was issued by the Independent Television Commission under the provisions of the Broadcasting Act. By the end of the year two LDO franchises had been awarded by the Commission and a number of others advertised. Those awarded were:

- West Kent (awarded to Eurobell)
- Blackpool and Fylde (awarded to SBC CableComms).

The corresponding Telecommunications Act licences will be issued in due course enabling construction of the networks to begin in these new franchises.

3.41 OFTEL continued to monitor compliance by the cable operators with the terms of their licences including:

- monitoring progress against network construction obligations
- ensuring that operators notify OFTEL of their charges, terms and conditions when required, and that these are consistent with their licence obligations
- the provision of emergency call services

3.42 OFTEL agreed a model Consumer Code of Practice with the Cable Communications Association (see paragraphs 4.23 to 4.26). Each cable company is required to have such a code under its licence.

3.43 The Director General modified 53 licences implementing the decisions taken as part of the Duopoly Review in 1991 and establishing as far as possible standardisation between cable licences. By the end of 1994, a total of 79 of the 125 licences had been modified. OFTEL expects to complete this process well before the end of 1995.

Non-PTO cable licences

3.44 During 1994, a further 108 systems were registered by the Director General under the *Class Licence to run broadcast relay systems covering no more than 1,000 homes for the provision of all types of broadcast service*. This makes a total of 2,089 systems registered as at 31 December 1994. No new individual licences were issued for systems serving more than 1,000 premises. One temporary licence was granted to Norwich Cablevision to run SMATV systems within the Norwich broadband cable franchise. In addition, a temporary licence was issued to LCL Cable Communications Ltd to offer voice telephony services in the area of Coalville.

Satellite matters

3.45 In February the Director General published a statement following the 1993 Consultative Document on the future of BT's Signatory Affairs Office (SAO). The SAO was established within BT, the UK Signatory to the international satellite consortia, to process requests for space segment capacity belonging to EUTELSAT and INTELSAT. The Statement concluded, as did most responses to the Consultative Document, that direct access to the international satellite consortia for independent operators was a priority. In the meantime OFTEL would proceed with the recommendation to amend BT's main operating licence so that the SAO's activities would be brought within its scope. Accounting separation and adherence to a code of confidentiality for SAO staff were amongst the recommendations to be introduced by the proposed licence amendment.

3.46 Early in the year INTELSAT took the welcome decision to allow direct access to its satellite space segment capacity. EUTELSAT, at the December 1994 Assembly of Parties, took a limited decision in respect of direct access. OFTEL will re-assess the SAO Statement recommendations in the light of the UK Government's and BT's reactions to the EUTELSAT decision.

3.47 No new individual satellite service provision licences were issued during 1994 although a number of new licences were pending at the end of the year. Most satellite service providers provide services under the auspices of the class licence issued on 2 August 1992 which allows anyone in the UK (except the BBC, which is not allowed to provide such services to third parties) to operate a satellite earth station for the reception and/or transmission of messages not conveyed over the public switched network.

Private network class licences

Telecommunications Services Licence (TSL)

3.48 The Telecommunications Services Licence (TSL) is the class licence under which nearly all those with private networks offering services to third parties run their systems. On 4 November 1994 an amended version of the TSL containing two modifications was issued by DTI. Messages conveyed using Centrex switches to provide off-site PABX services are excluded. Centrex switches can provide a variety of services, not all of which are covered by the amendment. The effect of these modifications is that, in assessing whether international simple resale (ISR) is being provided, Centrex-switched traffic will be treated as though it were routed on a private circuit.

New class licences for mobile radio systems

3.49 Following public consultation earlier in the year, two new class licences for private mobile radio (PMR) systems were issued by the Department of Trade and Industry in consultation with OFTEL. They came into force on 28 July 1994. PMR systems have no public access.

3.50 The *Class Licence for the running of private mobile radio systems, radiopaging systems and automatic location systems* (the 'PMR class licence') permits the provision of services to third parties on those systems. The *Class Licence for the provision of mobile radio telecommunication services* is for public service organisations and permits the provision of services to other public service organisations on mobile radio systems.

The EI Class Licence

3.51 The *Class Licence for the running of self provided telecommunication systems* – the EI Class Licence – came into force on 29 July 1994. It authorises the 21 electricity industry companies specified as licensees to run telecommunication systems of any description, both within and between the specified companies.

Other private network licences

3.52 DTI in consultation with OFTEL issued licences to the following organisations in 1994, to enable them to run private networks:

- BR Telecommunications Ltd
- The Civil Aviation Authority
- British Airways
- Taxi Rank Telephones Ltd (to convey messages to or from taxi rank telephone points)
- Addox Ltd.

A list of licences is given in **Informing the Public**, Table 10.

WORKING FOR CUSTOMERS

Introduction

4.1 The year saw a number of developments in OFTEL's work for customers. Significant progress has been made in some key projects: Comparable Performance Indicators, Consumer Codes of Practice, Calling Line Identity, and outstanding issues from the Competition and Service (Utilities) Act 1992 (eg BT's and Kingston's deposit policies). These are described in more detail below.

4.2 As outlined by the Director General in *OFTEL Annual Report 1993* a major effort was made in 1994 to ensure that OFTEL is better aware of issues of concern to consumers. The market research programme has been substantially expanded, closer links have been developed with bodies representing the interests of different groups of consumers, and the statutory advisory committees have been encouraged to become more proactive.

4.3 The new Light User Scheme introduced on 1 January 1994 (see paragraph 3.8) has benefitted many residential customers. The Scheme reduces the minimum cost of staying on the network for those who might have difficulty paying the normal tariff. It is essentially usage based, with low users (defined for 1994 as those with call bills of less than £10.00 per quarter) getting a rebate on fixed rental charges. The benefit is tapered depending on the value of calls made. For customers making no outgoing calls at all a quarterly rebate of £12.30 (60% of the rental) was available. This rebate decreased to £6.15 if £5.00 worth of calls were made and £3.07 for £7.50 worth of calls. The Scheme excludes multiple line customers, lines in second homes, burglar alarm lines, and BT customers who take service from other operators. At the end of the year around 3 million people were on the Scheme (about 14% of BT's residential customers) – many more than for previous low user schemes. The future scale and scope of the Scheme is one of the issues discussed in the December Consultative Document (see below).

4.4 An important part of OFTEL's work for consumers during 1994 was contained in the December Consultative Document *A Framework for Effective Competition* (see below). Consumer interest focussed on the effect that the options put forward for changing the interconnection regime will have on consumers and on OFTEL's wide-ranging review of the concept of Universal Service. Work on both these will continue in 1995.

Universal Service

4.5 How Universal Service should be provided for, to what level, and by whom, are some of the longer term issues identified in the ICAS programme (see paragraphs 2.9 to 2.14). During the autumn considerable work went into reviewing the current basis for Universal Service delivery – by both BT and Kingston

Communications in Hull – and considering what arrangements might be appropriate in the future.

4.6 OFTEL's proposals were contained in the December Consultative Document *A Framework for Effective Competition*. It was suggested that the principles of geographic accessibility, affordability and equity should form the basis of Universal Service policy. The document suggested that affordable access to the telecommunications network for the purpose of basic voice telephony is likely to be the most appropriate level for Universal Service at present – but this level will need to be kept under review. It also set out how the Universal Service might be costed (the results of an initial study indicated a current cost of between £90m and £160m per annum before taking account of any benefit), funded and delivered in a competitive marketplace.

4.7 OFTEL will be publishing proposals for Universal Service in the summer of 1995, once the results of the consultative exercise have been fully considered.

Consumer concerns

4.8 The Telecommunications Act 1984 requires the Director General to consider any complaints made to him about telecommunications services or apparatus. In 1994 OFTEL continued its policy, where practical, of allowing the public telecommunications operator (PTO) concerned to consider the matter first and to resolve the dispute directly with its customer. Apart from seeking to ensure that individual customers are fairly treated and their problems resolved, one of OFTEL's major objectives is to reduce the number of disputes by analysis and removal of their underlying causes. Should an operator's policy or practice give rise to widespread public concern, OFTEL will consider whether some change is needed and, where appropriate, seek to introduce this through discussion – or by the exercise of the regulatory powers available to the Director General. A number of the issues discussed in this *OFTEL Annual Report* were first brought to OFTEL's attention in this way.

4.9 OFTEL has continued to look closely at its arrangements for handling consumer complaints and enquiries to improve effectiveness in this area. Two significant changes were made during the year. Firstly, in April complaints from customers of mobile and cable PTOs were transferred from specialist areas of OFTEL to a single section dealing with all other consumer complaints and enquiries. Secondly, improved coverage of the telephone enquiry service has allowed more accurate monitoring of calls which may previously have been 'lost'.

Letters

4.10 OFTEL welcomes the continued reduction in the volume of written complaints received (6,316 in 1994 compared with 6,450 in 1993). Although this appears a modest decrease, it should be noted that the 1994 total includes 790 letters received from customers of cable and mobile PTOs which were recorded

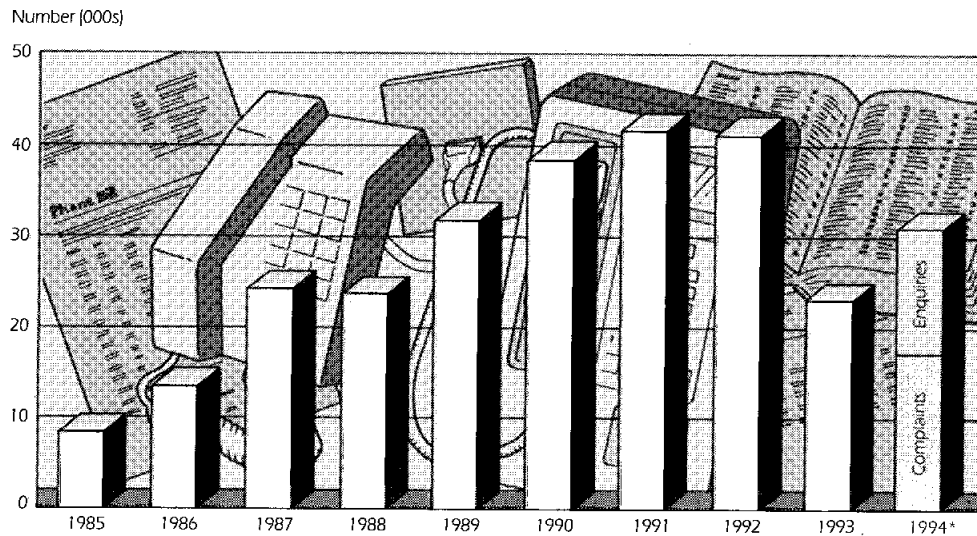


Figure 5 Consumer complaints and enquiries received by OFTEL and ENACT. *The 1994 figure includes all cable and mobile complaints and enquiries (shown separately in previous *OFTEL Annual Reports*) and includes the extended telephone enquiry service

separately in previous years. The 'real' decrease seen between 1993 and 1994 was therefore 14%.

4.11 The main categories of letters received related to charges and billing (34%), disputed accounts (14%) and provision of service (11%). The number of complaints about disputed bills continued on the downward trend recorded in *OFTEL Annual Report 1993*, falling from around 1,400 in 1993 to under 900 in 1994. The approval of BT's metering and billing systems by the British Approvals Board for Telecommunications in December 1994, together with increased availability of itemised billing (see Table 8), should increase customers' confidence in the accuracy of their bills. It is hoped that the number of complaints about disputed bills will continue to fall.

Telephone calls

4.12 *OFTEL Annual Report 1993* recorded a number of improvements that were being made for handling telephone calls. During 1994 OFTEL continued to develop

Table 6 Consumer complaints and enquiries received by OFTEL and ENACT (1985–1994)

1985	1986	1987	1988	1989	1990	1991	1992	1993	1994*
8,765	13,660	24,186	23,782	31,644	38,530	41,393	41,026	23,413	30,831

*The 1994 figure includes all complaints and enquiries from customers of mobile and cable operators (see paragraph 4.9). There were 713 and 2785 about cable and mobile matters respectively.

Table 7 A breakdown by category of consumer complaints and enquiries received by OFTEL and ENACT (1992–1994)

Subject	1992	1993	1994*
Disputed accounts	5,617	4,232	3,191
Charges, billing	9,382	5,837	8,957
Provision of service	2,565	1,284	2,564
Deposits and reminders	1,327	589	605
Standards of service	1,564	657	1,388
Fault repair service	1,585	974	1,576
Compensation Scheme	965	695	771
Operator services	226	80	212
Payphones	347	179	210
Caller thinks OFTEL is BT	4,797	1,311	1,093
Unable to pay bill	1,666	475	742
BT value added networks	733	310	285
Telephone books	704	308	392
Apparatus	499	230	612
Customer confidentiality	328	158	289
Uninvited calls	192	92	171
Wiring	153	14	63
Telephone selling	170	113	276
Other matters†	8,318	5,872	7,434
Total	41,026	23,413	30,831

* The 1994 figures also include all complaints and enquiries received from customers of mobile and cable PTOs – data which was shown separately in previous *OFTEL Annual Reports* (see paragraph 4.9).

† The **Other matters** figure shown here includes complaints and enquiries, mainly by telephone, that were transferred to specialist desks in OFTEL and enquiries meant for other bodies (eg OFT) mistakenly made to OFTEL.

this area which resulted in an increased uptake of the service. This, together with the inclusion of calls from customers of cable and mobile networks, resulted in the number of calls increasing from 16,963 in 1993 to 24,515 during 1994. By excluding the 2,708 calls received from cable and mobile customers, the 'real' increase over the 1993 level was 29%.

4.13 The largest category of calls was about charges and billing matters (28%). Many of these calls sought advice about payment arrangements, bill content and BT's Options. Most categories of call increased over the 1993 level but as with letters the number relating to disputed accounts reduced. The other welcome reduction was the lower level of calls from people who thought OFTEL was BT.

4.14 In 1994 a large number of callers sought general advice and information from OFTEL as opposed to pursuing complaints. This is largely as a result of more PTOs offering service and also the increasing number of services and schemes on offer to customers.

Table 8 Availability of itemised billing to BT's customers

Year and quarter	Position as at end of quarter:				
	No. of working lines*	Penetration			
		National	London & SE England	Central & SW England & Wales	North of England, N.Ire & Scotland
(millions)	(%)	(%)	(%)	(%)	
1989					
first	0.9	3.8	6.3	2.3	3.6
second	1.9	7.9	10.9	4.8	9.0
third	3.1	12.4	15.7	8.3	14.2
fourth	5.6	22.4	24.4	18.8	24.8
1990					
first	9.4	37.0	36.7	32.1	43.0
second	11.3	44.4	44.4	37.4	52.6
third	13.4	51.9	57.4	40.6	60.5
fourth	17.7	68.0	80.0	57.6	70.1
1991					
first	19.2	73.9	86.3	64.0	72.0
second	19.7	75.5	88.7	67.6	73.9
third	20.1	76.8	84.8†	67.0†	75.3
fourth	20.6	78.6	87.0	68.1	77.1
1992					
first	21.3	80.7	88.8	70.5	79.4
second	21.9	82.7	90.2	72.6	81.9
third	22.5	84.3	90.9	74.8	84.0
fourth	23.3	86.5	92.2	76.1	87.4
1993					
first	24.1	88.6	93.2	80.7	89.5
second	25.4	91.0	94.9	84.3	91.5
third	26.1	92.9	96.3	86.8	93.7
fourth	26.9	95.0	97.6	90.0	95.8
1994					
first	27.6	96.5	98.4	93.2	96.9
second	28.6	97.4	99.1	94.8	97.5
third	28.8	98.2	99.6	96.1	98.0
fourth	29.2	98.8	99.8	96.7	98.2

Notes:
* Working lines for which itemised billing is available.
† As from 1 July 1991 the boundaries for these territories were changed.

Source: BT

Total complaints and enquiries

4.15 The total number of complaints and enquiries received by OFTEL and the English Advisory Committee for Telecommunications (ENACT – see Part Three) in 1994 was therefore 30,831 (see Figure 5 and Tables 6 and 7). Although higher than the 1993 level because of the development of the telephone call handling service and the internal consolidation of OFTEL's handling of consumer complaints and enquiries, the 1994 level was still significantly lower than the levels (around 40,000 pa) between 1990 and 1992.

4.16 The majority of contacts continued to be from BT's customers. In an attempt to encourage the company's customers to take complaints through BT's complaint handling process before approaching OFTEL, BT's bill stationery is now being revised to include reference to its own internal Complaints Review Service. This Service is available to customers who do not feel that their complaint has been dealt with to their complete satisfaction after initial contact with the company. The Complaints Review Service will carry out a detailed review of the way BT handled the complaint and work closely with the complainant to solve the problem.

Complaints review

4.17 OFTEL will continue to look closely at the way complaints and enquiries from consumers are handled. A detailed review of this was underway in 1994. The results will be implemented during 1995 and should result in a more efficient and effective process. There are likely to be changes to the classification of complaints and enquiries to reflect changing consumer problems and concerns.

Premium rate services (PRS)

Control of one-to-one services

4.18 From January, advertising of 'adult' services was restricted to 'top shelf' publications only. Additionally, from July, access for BT customers to these services on the 0898 prefix became possible only by using a personal identification number obtained in advance. This commercial decision by BT was welcomed by the Director General as a way of giving customers greater control over the use of their telephone.

4.19 During the year, ten service providers were disconnected for breaches of the *Live Conversation Services Code of Practice* published by ICSTIS (the Independent Committee for the Supervision of Standards of Telephone Information Services).

4.20 Under Condition 33A.8 of BT's licence and the equivalent condition in Mercury's licence, the Director General can exempt live services from those provisions of ICSTIS' Live Code of Practice that require all calls to be recorded and payments to be made into a compensation fund – this is available to consumers who have received excessive bills due to the unauthorised use of their telephone.

During 1994, 258 applications were received and 128 exemptions granted, the highest total since the regulations were introduced in October 1989. A total of 463 services have been granted exemption to date.

4.21 In September, for a trial period, BT, Mercury and Vodafone introduced 'higher rate services', at up to £1.50 per minute. Before these can begin to operate they are subjected to a pre-vetting procedure by ICSTIS. Additionally, in the case of live services, service providers can apply for an exemption from OFTEL. OFTEL welcomed the introduction of services which offer the consumer greater choice and added value, eg financial or technical advice, and allow more price competition in the marketplace. However, OFTEL continued to have concerns about the billing arrangements for such services, and wished to see a move to 'unbundling' of the call transmission cost from the service content cost in the final bill to customers. OFTEL will be progressing this issue further in 1995.

Telephone sales calls

4.22 In 1994 there was a major breakthrough in OFTEL's discussions with the Direct Marketing Association, other relevant trade associations and the telephone companies, about setting up a voluntary telephone preference scheme. BT and Mercury agreed to register their own customers who wish to benefit from the protection such a scheme can offer, a move which will significantly reduce the administrative costs and increase the financial viability of the scheme. At the end of the year The Telephone Preference Service Ltd was established, as a company limited by guarantee, and action was in hand to launch a voluntary scheme, for residential customers, early in 1995.

Consumer Codes of Practice

4.23 During the year OFTEL made significant progress with those operators required under their licences to produce new Consumer Codes of Practice. Codes for Cellnet and Kingston Communications were approved by the Director General in December together with a model Code for cable companies drawn up by the Cable Communications Association. The model Code will serve as a framework for individual cable companies' own Codes in setting out standards of service customers can expect in areas such as appointments, fault repair, bills, disconnections and complaints handling in relation to both cable television services and telephony. Discussions with BT, Vodafone and Mercury One-2-One about their Codes were at a very advanced stage by the end of the year. Mercury's Code was deferred in view of the company's reorganisation, although a draft version is available upon request from Mercury.

4.24 Under the terms of operators' licences, these Codes must be prepared regularly in consultation with the Director General and offer customers guidance on disputes and complaints. But to help the operators broaden the Codes' coverage

beyond this, OFTEL produced a 'good practice guide' designed to benefit the consumer by making the Codes user-friendly charters of wider-ranging customer information. As a result, the Codes will provide a combination of details on services and statements on key consumer issues such as standards of service including fault repair, disconnections, billing and special needs.

4.25 Operators' new Codes will fill current gaps in customer information. Once published, OFTEL plans to ensure that the Codes become widely available and easy for the customer to obtain.

4.26 OFTEL's discussions on the Codes included consultation with the six Advisory Committees on Telecommunications (see Part Three) and a number of leading consumer groups.

Calling Line Identification (CLI)

4.27 The consultative process on CLI and its privacy implications which began in September 1993 and was reported in *OFTEL Annual Report 1993*, continued through the early part of 1994. After consideration of the 130 or so responses to the Consultative Document, OFTEL published a Policy Paper on the introduction of CLI in July 1994.

4.28 The results of the consultation, which incorporated considerable input from the Data Protection Registrar, concluded that CLI-based services could be introduced in a way that, on balance, benefits consumers.

4.29 The Policy Paper set out a number of key provisions concerning the introduction of CLI-based services, including the following:

- The caller must have the option of inhibiting the display of their CLI on a call by call basis (ie 141 per call blocking), which must be free of charge.
- Line blocking should be made available free of charge by all operators, but the decision to opt for line blocking should be an informed one.
- The CLI service must distinguish between 'withheld' (ie blocked by the caller) and 'unavailable'.
- CLI data should only be used for purposes which are directly connected with the original call. The use of CLI data for any other purpose should only take place if the caller has given express permission for that use.
- A general education programme to achieve awareness of the change in all users before CLI services are introduced is vital.

4.30 In November 1994, BT launched two CLI-based services on its network called Call Return and Caller Display. These services are available to all its customers served by modern digital exchanges. OFTEL believes that other operators will introduce similar services in 1995 and will ensure that inter-connection agreements will allow CLI to be passed from network to network.

4.31 At the end of the year OFTEL was still working closely with the industry on various aspects of CLI. These include finalising a Code of Practice for network operators on the provision of CLI-based services and a similar Code covering the use of Presentation CLI (ie the means of displaying a different telephone number from the number associated with the line being used).

4.32 OFTEL will continue to monitor the introduction of CLI-based services and aims to carry out market research during 1995 to test consumer reaction to CLI services.

Disconnections

4.33 Following negotiations with OFTEL, BT had by the end of the year agreed to publish its disconnection statistics, together with an explanation of its policy. This will improve consumer awareness of BT's procedures when delayed payment puts customers' telephone service at risk.

4.34 OFTEL accepted that apart from genuine 'can't payers', disconnection can occur following BT's detection of fraudulent usage or because a customer has chosen to receive service from another company – factors not generally applicable to the other utilities. But BT's disconnections often involve a temporary suspension of service, with customers paying their bill within a few days and then being reconnected.

4.35 OFTEL continued to encourage BT to develop further measures such as barring outgoing calls and negotiating usage limits with customers which will allow customers to remain connected to the network while limiting BT's exposure to bad debt.

4.36 OFTEL's discussions with BT will ensure that the published statistics are meaningful to customers. BT is expected to place suitable details into the public domain by April 1995.

Deposits

4.37 BT and Kingston, the two 'designated operators' under the Competition and Service (Utilities) Act 1992, are required to have their deposit policies, including the criteria used, agreed by the Director General. Substantial progress was made during the year towards settling both operators' policies and agreement is expected in early 1995.

4.38 As part of its policy to reduce the number of instances where a deposit is required from customers, BT informed OFTEL that in January 1996 it intended to introduce usage limits for new residential customers. This scheme will enable customers to agree with BT a quarterly financial ceiling for call charges which, if exceeded during the period, will require an interim payment to be made.

4.39 In the meantime, BT is reviewing its deposit criteria in order to maximise the number of customers to whom it can provide telephone service without requesting a deposit. Any changes arising from this review are expected to be implemented by April 1995.

Market research

4.40 OFTEL commissions market research to get a better understanding of consumers' views of the quality, range and value for money of telecommunications services.

4.41 In previous years much of this research has been of a 'tracking' nature examining changes over time in consumers' responses to questions on specific services or telecommunications issues. This form of research is valuable, particularly where there is a long time series of data collected on a consistent basis. However as the telecommunications market becomes more diverse with a wider range of services, operators and consumers' needs, other approaches need to be followed.

4.42 To support OFTEL's goal of getting the best deal for customers in this fast changing environment OFTEL commissioned in 1994 major market research studies of:

- 3,000 households in the UK
- individuals with special or additional telecommunications needs
- factors influencing choices made by consumers in purchasing telecommunication services from different operators.

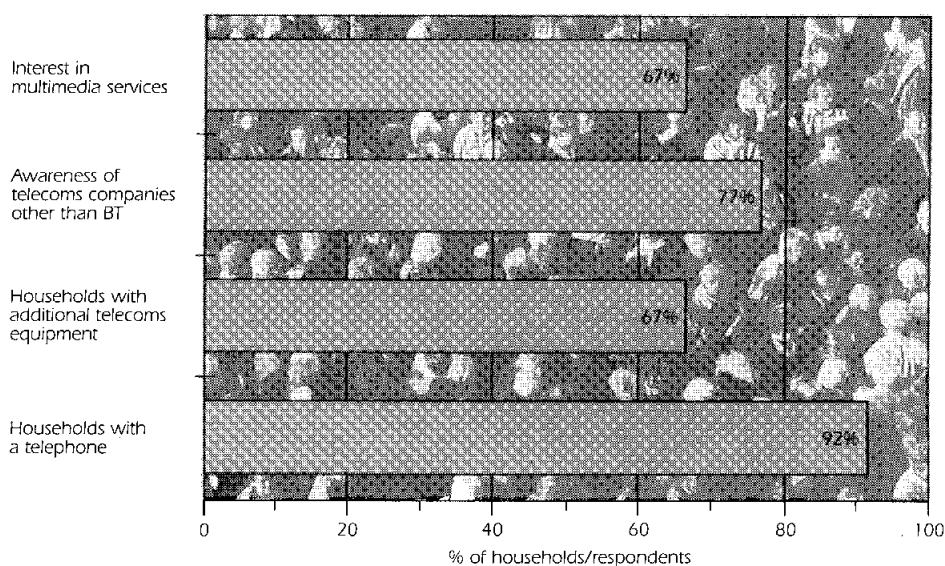


Figure 6 Customers' use of telecommunications equipment and awareness of current developments

Source: MORI survey in 1994

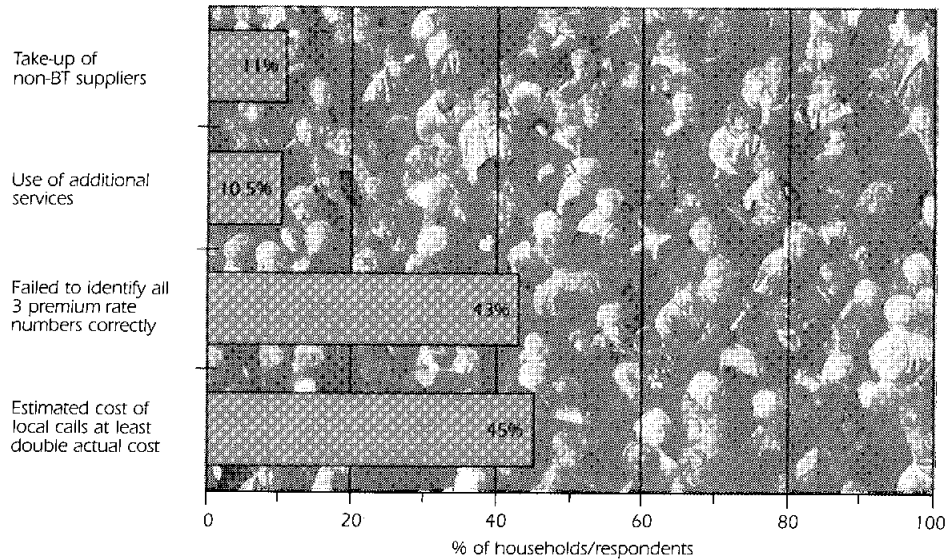


Figure 7 Customers' take-up of choices available and knowledge of tariff details
Source: MORI survey in 1994

4.43 The survey of 3,000 households carried out by MORI was designed to be a 'snapshot', as at October 1994, of residential consumer views across a wide range of telecommunications issues – from perceptions of BT prices to demand for multimedia services.

4.44 The survey showed that most households owned a telephone and many were aware, at a general level, of the development of both the telephone market and telephone services (see Figure 6). In contrast many consumers were unaware of the costs of services and few had taken up additional services or purchased

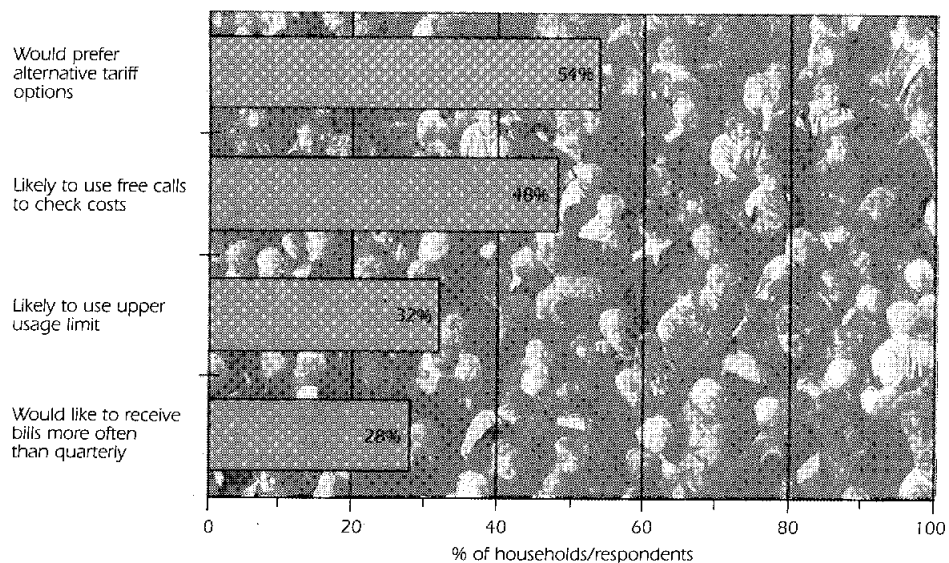


Figure 8 Customers' views on a range of options for managing their telephone bills

Source: MORI survey in 1994

telecommunications services from alternative suppliers to BT (see Figure 7). In other words, a gap existed between consumers' high general level of basic telecommunications awareness and usage, and their lower levels of specific knowledge, limited use of new services or restricted knowledge and access to new suppliers. These findings could be expected in a period of rapid and uneven change.

4.45 While the survey was primarily intended to establish a 'current position' of consumer views for existing services and attitudes, as illustrated by the findings above, in a few areas their views were sought on potential developments. The responses received showed in particular a demand from consumers for a wider range of options for managing their expenditure on telecommunications (see Figure 8).

4.46 The findings from this survey have important implications which OFTEL will be seeking to address during 1995. A full report of the MORI survey findings will be published by OFTEL in spring 1995.

4.47 The other two studies on special needs and factors influencing choices made by consumers were still in progress at the end of the year.

Quality of service and comparable performance indicators

4.48 Currently telephone customers cannot easily compare the performance of telephone services offered by one telecommunications company with another. As the number of companies providing lines and services grows, the ability to compare 'like with like' will become increasingly important to customers.

4.49 In previous years, OFTEL has reviewed the six-monthly quality of service reports published by BT and Mercury. These are useful reports, particularly for identifying trends in each company's quality of service, and will continue to be reported by the two companies and reviewed by OFTEL for as long as they provide data of value to the consumer. A more detailed review of quality of service statistics will be published by OFTEL in 1995. (See also information given in the Appendix to this *OFTEL Annual Report*.)

4.50 These measures of quality of service are however limited in that

- they only apply to two companies
- they are not based on common definitions for measurement.

To overcome these limitations, the telecommunications companies together with representatives of consumer organisations have been working with OFTEL to develop **comparable** measures of performance to apply across the telecommunications industry.

4.51 During 1994, performance measures for fixed link telecommunications operators have been developed in the following areas:

- percentage of order commitments met
- the level of faults occurring
- the time taken to repair faulty services
- the speed with which complaints are resolved
- the level of billing accuracy complaints.

4.52 During 1994 data was being collected by telecommunications operators on these measures. Once the comparability and accuracy of the figures have been thoroughly reviewed and verified they will be published in 1995.

4.53 Further comparable measures of performance will be developed during 1995 and the scope of the initiative widened to include mobile network operators.

General Approvals and General Variations

5.1 In cases where the testing of apparatus by an authorised test laboratory is not considered essential, some classes of apparatus may be automatically approved provided they meet the requirements of a General Approval. In 1994 OFTEL issued one General Approval but no General Variations (which vary existing approvals to permit the enhancement of apparatus or the removal of restrictive conditions).

5.2 A General Approval (NS/G/12345/R/100022) was issued in October to permit the temporary connection of apparatus for either test and development or exhibition purposes. This enables manufacturers and suppliers to make such a connection without having to obtain a Site Specific Approval from OFTEL.

Site Specific Approvals

5.3 Site Specific Approvals (SSAs) enable apparatus to be connected, in exceptional circumstances. In 1994 OFTEL issued 208 SSAs for various purposes, including apparatus specifically adopted for use by people with special needs.

5.4 Details of all apparatus approvals granted in 1994 are given in the **Approved Apparatus Register** section, paragraphs 8.12 and 8.13.

Meter Approval Scheme for PTOs

5.5 This year there was significant progress in the Meter Approval Scheme. The Scheme, first introduced in 1992, aims to improve customers' confidence in the accuracy of the metering and billing systems of public telecommunications operators (PTOs).

5.6 In February, Kingston Communications in Hull was formally brought into the Scheme. This was achieved through a requirement to submit its metering and billing system for approval by the British Approvals Board for Telecommunications (BABT) which operates the Scheme.

5.7 In August, OFTEL published BABT's fourth report to the Director General. It reported that both BT and Mercury had made substantial progress towards gaining approval. In the autumn, OFTEL opened discussions with the cellular operators – Vodafone and Cellnet – in order to bring them into the Scheme.

5.8 On 5 December a major milestone was achieved when BABT granted approval of BT's metering and billing systems. The Director General welcomed the increased confidence this would give BT's customers in the accuracy of their bills.

Quality assurance schemes

5.9 In April, a third issue of the OFTEL *Quality Assessment Guide for the Registration of Maintainers of Approved Call Routing Apparatus (Large and Small) and Serially Connected Equipment* (OFTEL/QAG/1) was published. It clarified the quality requirements for the maintenance of serially connected equipment (SCE) and permitted the sub-contracting of maintenance services.

5.10 In parallel with these changes a revised contractor approval document was introduced, and existing contractor approvals varied by a Variation (DG/GV//R/2811). The revisions, which came into force on 3 May, allowed the customer to terminate the maintenance contract by giving 42 days' written notice and lifted the prepayment requirement.

5.11 During 1994, 23 installers and 33 maintainers were registered under the OFTEL *Quality Assessment Guide for Certification Bodies for the Registration of (i) Installers for Installing and Commissioning and Connecting Call Routing Apparatus and (ii) Maintainers for Inspecting and Connecting Installed Call routing Apparatus* (OFTEL/QAG/2).

5.12 OFTEL appointed five new certification bodies in 1994, bringing the total to 11. These can assess applicants wishing to provide maintenance services for call routing apparatus (CRA) and serially connected equipment (SCE) under the OFTEL/QAG/1 scheme. Ten of these bodies are also designated to run the OFTEL/QAG/2 scheme.

5.13 Details of contractor approvals granted in 1994 and the number of installers and maintainers registered under the OFTEL/QAG/2 scheme during the year are given in the **Approved Contractor Register** section, paragraphs 8.14 to 8.16.

Marking and Labelling Orders

5.14 OFTEL continued its regulatory and advisory role in enforcing the provisions of the Telecommunications Apparatus Marking and Labelling, and Advertisement Orders. This involved warning suppliers, advertisers and publishers that it is illegal to supply equipment which does not carry the required labelling, or to advertise equipment without indicating its approval status.

5.15 With the coming into force of the Telecommunications Terminal Equipment (Amendment and Extension) Regulations 1994, OFTEL is now considering in conjunction with the Department of Trade and Industry their implications for OFTEL's future regulatory role.

EUROPEAN AND INTERNATIONAL ACTIVITIES

Introduction

6.1 The Telecommunications Act makes only scant reference to a role for the Director General beyond the shores of the UK. In spite of this, more and more of his activity has an international aspect to it. The UK regime is still sufficiently pioneering to attract substantial interest from abroad. The result is a steady flow of requests from overseas to consult directly with OFTEL.

6.2 The flow of information is not just outward. The Director General recognises that important lessons can be learned from the methods and experiences of equivalent or near equivalent authorities abroad. He is keen to find out what these are, particularly through direct contact with regulators and companies abroad.

6.3 OFTEL also has a significant task in ensuring that its views and experiences derived from ten years of regulating in a liberalised environment are given as much weight as possible in the course of European and international debates and negotiations on telecommunications policy.

Policy formulation and implementation

European Union

6.4 The major part of the UK's international telecommunications commitments arises from its membership of the European Union (EU).

6.5 Up to the end of 1994, basic telecommunications services across the EU continued to be provided, for the most part, by public service monopolies in the various Member States. Only the UK had proceeded unilaterally with a policy of liberalisation of all services. In November 1994, however, agreement was reached at the Council of Ministers to remove (by 1998 in most cases) existing special or exclusive rights to build and operate telecommunications networks in all Member States. The decision was reflected in a European Commission Green Paper on infrastructure liberalisation. This follows the liberalisation of data, value-added and private voice services in 1990, and the commitment from all Member States in 1993 to liberalise all fixed telecommunications services.

6.6 By the close of 1994 the detail of both services and infrastructure liberalisation across Europe was under discussion. The pace of these discussions and of a number of closely related aspects of European telecommunications policy will accelerate during 1995 and will be implemented through a number of specific measures over the next few years. OFTEL will continue to work closely with the

Department of Trade and Industry (DTI) and with the European Commission and other European regulators in this area. With its experience of infrastructure competition OFTEL intends to make a significant contribution to the implementation of the 1994 decision.

6.7 OFTEL also has a central part to play in the enforcement of existing legislation which implements EC obligations. This gave rise to the following activities during 1994.

ONP Leased Lines Directive

6.8 ONP (standing for Open Network Provision) measures seek to ensure that services which are **not** yet required to be liberalised in all Member States are regulated in such a way as to guarantee their supply in accordance with certain standards of objectivity, transparency and non-discrimination.

6.9 The Leased Lines Directive, adopted in 1992, was implemented in the UK in 1993. In August 1994 OFTEL published a notice about BT's leased lines offerings. Similar statements are required for Kingston and Mercury Communications although the Director General was not in a position by the close of the year to make these. A special notice was published giving details of the licensing and declaration requirements for leased lines in the UK. The Director General also provided the Secretary of State with sets of performance statistics for the operators, as required by the regulations that implement the Directive.

ONP ISDN/PSDS Recommendations

6.10 The *OFTEL Annual Report 1992* carried in full the two directions made under section 94 of the Telecommunications Act 1984 to the Director General in respect of these recommendations. The Directions consist predominantly of obligations to collect data on the respective markets and to present these in a prescribed form. The first sets of data (in respect of the calendar year 1993) were passed to the DTI in July 1994.

Telecommunications Terminal Equipment Directive

6.11 The Telecommunications Terminal Equipment Directive, together with the Satellite Earth Station Equipment Directive, is the European Commission's main instrument for promoting the development of a single market for terminal equipment. Nine Common Technical Regulations (CTRs) had been adopted by the end of 1994. Where CTRs are not available national standards based on the "essential requirements" of the Directive's Article 4 continue to be used for approving terminal equipment.

6.12 Throughout 1994 OFTEL was actively involved in the work of slimming down the current UK approvals requirements to align them with the Directive. It is expected that DTI will be able to designate these new National Technical Regulations (NTRs) in the first half of 1995.

International contacts

6.13 OFTEL continued its involvement with several international organisations in various fields of telecommunications throughout 1994. These included the following.

European Committee for Telecommunications Regulatory Affairs (ECTRA)

6.14 ECTRA, a body set up within the framework of the European Conference of Postal and Telecommunications Administrations (CEPT), is the main forum in Europe for the discussion of regulatory issues. Much of ECTRA's detailed work is devolved to its sub-groups – on such areas as licensing, accounting principles and mobiles – which report to the regular plenaries. During 1994 OFTEL has participated actively in the numbering sub-group. OFTEL contributed selectively to the work of other sub-groups and to the various plenaries during the year.

6.15 In November OFTEL published a consultative document based on a report by ECTRA. The document was seeking comments from the UK on various strategic options for European numbering including the suggestion of introducing European telephony numbering space for special pan-European services.

ONP Committee

6.16 A standing committee of Member State national regulatory authorities and others supervises the European Commission's development of the ONP programme (see paragraphs 6.8 to 6.10). Particular emphasis is given to ironing out any difficulties with ONP measures which are already being implemented and so OFTEL contributes fully to this forum.

New Technical Regulations Application Committee (NTRAC)

6.17 NTRAC continues to be responsible for technical advice to the European Commission on the implementation of the Telecommunications Terminal Equipment Directive and the preparation of scope statements for Common Technical Regulations (CTRs). *Ad hoc* groups provide detailed guidance on the application of CTRs and any other terminal equipment related issues. NTRAC also maintains registers of test laboratories notified for conformity testing against CTRs and Normes Europeenne de Telecommunications (NETs). During 1994 OFTEL participated in four meetings of NTRAC as part of the UK delegation led by the DTL.

Approvals Committee for Terminal Equipment (ACTE)

6.18 ACTE is the advisory body to the European Commission provided for by the Telecommunications Terminal Equipment Directive. It gives general guidance on the application of the Directive, and has the formal responsibility of adopting Common Technical Regulations (CTRs) which are binding on all Member States.

By the end of 1994, ACTE had adopted nine CTRs covering GSM (Global System for Mobile Communications), DECT (Digital European Cordless Telecommunications), ERMES (European Radio Message System), ISDN (Integrated Services Digital Network) and ONP leased lines. During the year OFTEL took part in seven meetings of ACTE providing expert assistance to the UK delegation of the DTI and BABT.

European Telecommunications Standards Institute (ETSI)

6.19 ETSI has the primary responsibility for the production of voluntary standards for pan-European application (ETTs) as well as the technical part of mandatory CTRs. OFTEL's Technical Directorate contributes to the work of ETSI's Technical Committees on Terminal Equipment and Network Aspects.

Special visits

6.20 The Director General made special efforts during the year to increase contacts with regulators and others concerned with foreign telecommunications markets of particular significance to the UK. In July he spoke to regulators and representatives of the industry in Canada and the United States. Both countries are a source of considerable investment in the UK's access network infrastructure and their continued support in this respect is crucial to the furthering of overall competition in the UK market. North American markets also figure prominently amongst those in which UK companies are competing and in which they hope to expand.

6.21 The Director General went to Sweden in the summer. Sweden underwent a particularly radical process of liberalisation during the decade or so up to consolidation in a new Telecommunications Law of 1993. Sweden joined the EU at the turn of the year and its regulators will therefore take part in EU decision making processes in future.

MANAGING OFTEL'S RESOURCES

Financial arrangements

7.1 As a non-Ministerial department, OFTEL's funding is provided by Parliament and is accounted for each year through the Appropriation Account. The full cost is offset by licence fees paid by the operators and other miscellaneous income. OFTEL's total net expenditure in the financial year ending March 1994 was £8.2 million including £129,000 in respect of the advisory committees (see Part Three). Corresponding expenditure figures for 1992/93 and 1991/92 were £7.5 million and £7.4 million.

7.2 A **Statement of Accounts** for 1993/94 together with supporting notes is shown on the next page. Figure 9 shows how OFTEL's expenditure was divided in 1993/94 between the main areas within OFTEL. Advisory committee expenditure is included under *Consumer Affairs*. Salary costs accounted for some 49% of the total spend.

Audit

7.3 Staff of the Office of Fair Trading provide OFTEL with an internal audit service. OFTEL's Appropriation Account is audited by the National Audit Office.

Prompt payment

7.4 Based on sample surveys of invoices settled in April–June 1994 and in October–December 1994, OFTEL settled 91% of its invoices within the agreed contractual provisions or within 30 days of receipt.

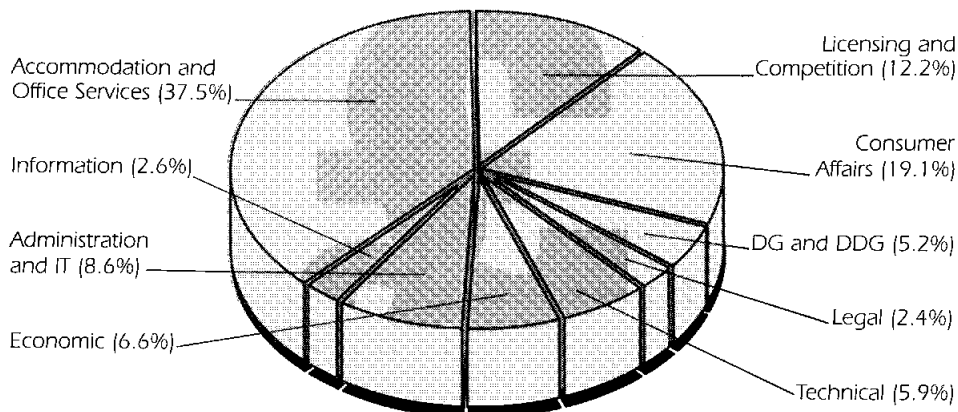


Figure 9 The division of OFTEL's budget

STATEMENT OF ACCOUNTS

A Appropriation Account statement (financial year 1993/94)

Statement of expenditure and appropriations in year

	Grant £'000	Expenditure £'000	Variance £'000
Running costs	8,275	8,054	-221
Other current expenditure	249	152	-97
Capital expenditure	146	186	+40
Gross total	8,670	8,392	-278
Less:			
Appropriations	214	214	
Net total	8,456	8,178	

B Memorandum trading account for the year ending 31 March 1994

	£'000
Gross income	8,478
Expenditure	
○ pay costs	4,107
○ travel and subsistence	88
○ accommodation	2,018
○ publicity	441
○ library	75
○ advisory committees	129
○ consultancy	497
○ office equipment	216
○ agency staff	106
○ other admin. expenses	690
○ depreciation	37
○ interest on capital	44
○ notional insurance	7
○ notional interest receivable	-248
Total expenditure	8,207
Operating surplus/deficit	271

Notes to the accounts

(a) Statement of Accounting Officers' responsibilities with respect to Appropriation Accounts

Section 22 of the Exchequer and Audit Departments Act 1866 requires all departments to prepare accounts of the appropriation of supply grants comprised in each year's Appropriation Act. The Treasury appoint an Accounting Officer for each Vote and determine the form of the accounts. The accounts are prepared on a cash basis and must properly present receipts and payments for each Vote in the financial year.

The relevant responsibilities of Accounting Officers, including their responsibility for the propriety and regularity of the public finances for which they are answerable, and for the keeping of proper records, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in *Government Accounting* (HMSO).

(b) Period of accounts

These accounts cover OFTEL's operations from 1 April 1993 to 31 March 1994. The Appropriation Account statement has been prepared on the basis of actual recorded income and expenditure in the financial year.

(c) Appropriations

These are receipts collected in the course of OFTEL's ordinary Vote business (for example receipts from sale of goods and services but not licence fees). Such receipts may be used to finance part of the gross expenditure chargeable to the Vote.

(d) Income

Income has been calculated as follows:

	£'000
Licence fees received during 1993/94	8,283
Less payments relating to 1992/93	-29
Plus outstanding at 31 March 1994	0
	<hr/>
	8,254
Plus other income	224
Total	<hr/> 8,478

(e) Pay costs

The cost of staff pay includes salaries, social security costs and pension costs. OFTEL's employees are covered by the Principal Civil Service Pension Scheme.

(f) Tangible fixed assets

OFTEL does not own its premises and therefore their value is not included as an asset. Fixed assets include computers and other office equipment valued at £729,448 after depreciation. Depreciation is applied with the cost written off over an expected life of 5 years.

(g) Interest on capital

Interest on capital of £44,000 has been calculated by applying a 6% rate of return on average net assets employed at current values.

(h) Notional insurance

Notional insurance has been calculated as 0.1% of salaries, stocks and fixed assets. OFTEL does not hold significant stocks of goods or materials at any point.

(i) Notional interest receivable

Notional interest on income has been calculated by applying a 6% real interest rate to half the total licence fee income, to reflect the fact that the bulk of OFTEL's income is received at the start of the financial year. The income received at the start of the year has therefore been treated as negative working capital.

(j) Contingent liabilities

There were no contingent liabilities as at 31 March 1994.

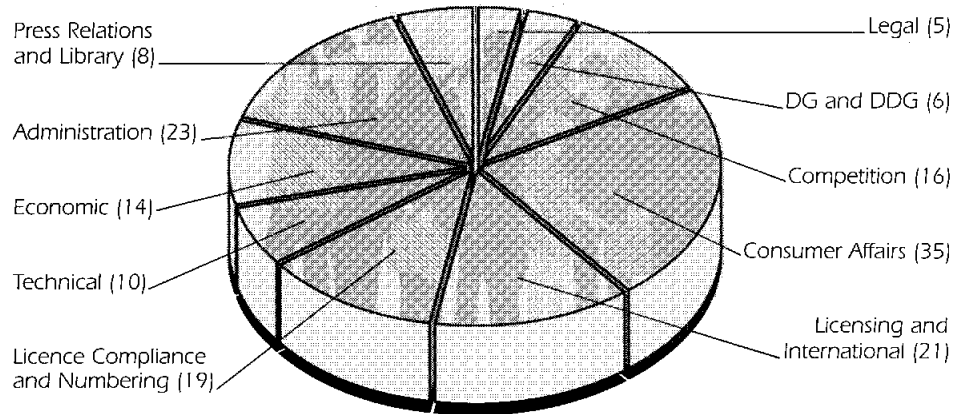


Figure 10 The distribution of staff across the different branches in OFTEL as at 1 December 1994

Staffing

7.5 The average number of staff employed in 1993/94 was 151. By December 1994 a total of 157 staff were employed in the following groups:

- Senior staff (grade 7 and above including professional and technical) 40
- Other professional and technical staff 11
- Executive staff 61
- Clerical and support staff 45

Figure 10 shows the distribution of staff across the different Branches in OFTEL as at 1 December 1994.

7.6 Staff in post each year from April 1992 to April 1994 were 148, 152 and 144 respectively. Staff of the Office of Fair Trading's Consultancy Inspection and Review Unit provide a staff inspection service to OFTEL.

INFORMING THE PUBLIC

Publicity

8.1 OFTEL featured prominently in most media during 1994. Coverage reached a climax in December when *A Framework for Effective Competition* provoked a widespread debate covering many column-centimetres. There was also considerable interest in OFTEL's role in a number of issues including BT's price cuts under the price control formula, number portability and other numbering matters, multimedia and the 'information superhighway' concept, calling line identification, PhONEday and fair competition in mobile service provision. Don Cruickshank appeared on BBC TV's *Scrutiny* and *Business Breakfast* programmes, Sky News and Portuguese television. He was heard on *Today*, *Analysis* (both BBC Radio 4), *The Financial World Tonight* (BBC Radio 5) and Independent Radio News among other programmes. Other senior OFTEL staff also appeared on television and gave numerous interviews for BBC and independent radio stations.

8.2 A record 42 press releases were published in 1994 (see Figure 11). In addition to several smaller press briefings OFTEL hosted three major press conferences, all focussed on interconnection issues. The first marked the publication of the March Statement on interconnection and accounting separation. The second covered the granting of eight access deficit contributions in July and resulted in a high level of understanding of this very difficult subject among the press who attended. In December the third press conference launched the Consultative Document *A Framework for Effective Competition* and was followed by meetings for those representing consumers and the industry. This marked the start of a campaign to encourage responses to this major consultation exercise with a series of nationwide public meetings planned for 1995.

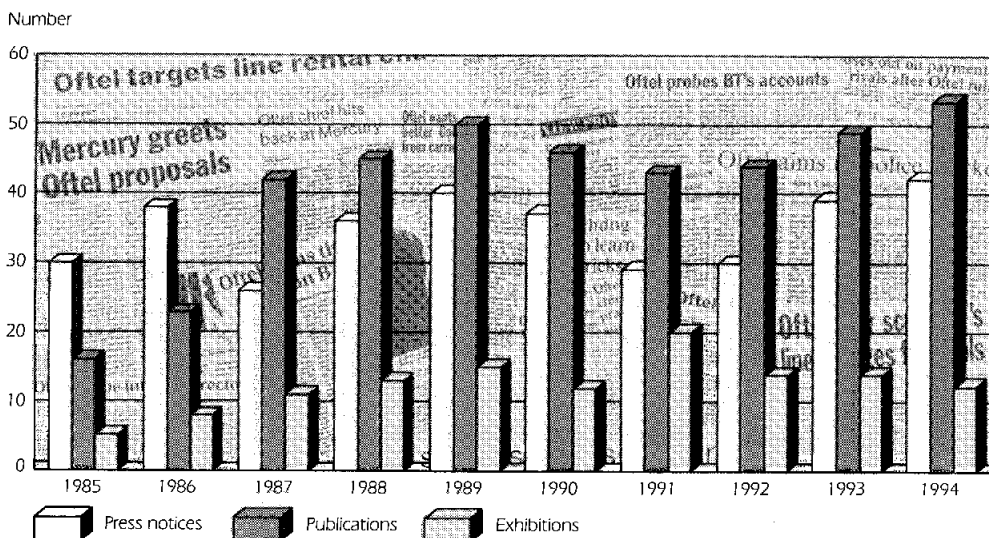


Figure 11 Some of OFTEL's information activities

Table 9 New publications in 1994

OFTEL published the following new publications and major revisions. Most are available free of charge (unless a price is given) from OFTEL's Library (tel: 0171 634 8764).

A Guide to the Office of Telecommunications

Consultative Documents

Numbering Conventions and Specified Numbering Scheme

Numbering of Telecommunications Services in Europe

A Framework for Effective Competition

Consumer

Annual Reports of the six Advisory Committees on Telecommunications

The Introduction of Calling Line Identification – Display services and related services on the UK public switched telephone network *Policy Paper*

DIEL Information Pack

DIEL leaflet

Households without a telephone *Market Research*

A Framework for Effective Competition *booklet and leaflet versions of the Consultative Document for consumers*

Monitoring the telephone bill of a 'typical' residential customer *Statistical Note 2*

National Code Change

Competition

Interconnection and Accounting Separation: The Next Steps *Statement*

Fair Competition in Mobile Service Provision (May) *Statement*

Fair Competition in Service Provision (17 October) *Statement*

Fair Competition in Service Provision (21 October) *Statement*

The Relationship between Costs and Interconnection Charges *Proceedings of the second meeting held on 11 January 1994*

Discussion on the Future of Interconnection *Proceedings of a meeting held on 24 February 1994*

Discussion on the Future of Interconnection *Proceedings of an industry workshop held on 25 March 1994*

The Future of the Signatory Affairs Office *Statement*

Explanatory Document for the determinations of waivers of access deficit contributions granted to ACC, WorldCom, COLT, MFS, Energis, Telewest, Videotron and Nynex £10

Explanatory Document for the determinations of waivers of access deficit contributions granted to Encom, Jones Cable, SBC CableComms UK, Singapore Telecom, Sprint, Telectoral, Telstra and WorldCom £10

Competitive Practices in the Telecommunications Market – *extracts from a study by Ernst & Young Management Consultants for OFTEL* £8

Cost-Benefit Analysis of Number Portability (restricted circulation)

Licensing

Provision of Directory Information *Discussion Paper*

Explanatory Document on the class licence for the provision of mobile radio telecommunication services to third parties by public service organisations £5

Table 9 continued

Explanatory Document on the class licence for the running of private mobile radio systems, radiopaging systems and automatic location systems for the provision of services to third parties £5

Response to Trade and Industry Committee Report on Optical Fibre Networks

Technical

Commentary on responses to 'Numbering Conventions and Specified Numbering Scheme' *Consultative Document*

Numbering Conventions

National Code Change – code conversions for PhONEday

Customer Interface for Calling Line Identity Presentation *Statement*

Quality Assessment Guide for the Application of ISO 9002:1987 (BS5750: Part 2: 1987) for the registration of maintainers of approved call routing apparatus (large and small) and serially connected equipment (OFTEL/OAG/1 Issue 3)

OFTEL Quality Assessment Guide (OAG/1) Issue 3 *Update SA65*

General Approval for Connection of Certain Apparatus to a Public Telecommunication System for Test and Development or Exhibition Purposes *Update SA66*

Newsletters

OFTEL News

Newsline sent to all Advisory Committee Members

Numbering Bulletin

8.3 The exhibition programme was reduced in 1994. On the industry side OFTEL had a popular stand at the Telecommunications Managers' Association (TMA) Conference and Exhibition in Brighton. To meet consumerists OFTEL had stands at Consumer Congress in Warwick and the NACAB (National Association of Citizens Advice Bureaux) Conference in York. On behalf of DIEL (see Part Three) OFTEL exhibited at the Age Concern England Conference and at Naidex, both in London. Again this year OFTEL teamed up with other regulators and took part in six *Regulators Roadshows* held in shopping centres around the country to meet residential customers. These attracted a good deal of publicity locally.

Publications

8.4 In total 53 publications, including titles re-issued with major revisions, were published during the year (see Table 9 for new publications). Apart from the December document there were two other consultative documents, both on numbering issues. OFTEL continued its policy, begun at the end of 1993, of publishing explanatory documents on major decisions so that the regulatory regime itself becomes more transparent. The new version of *A Guide to the Office of Telecommunications* and the extensively revised *DIEL Information Pack* proved popular and there was continuing high demand for the PhONEday leaflets. In December the first in a new series of OFTEL Market Research – *Households without a Telephone* – was published to provide background information for *A Framework*

for *Effective Competition*. Three issues of *OFTEL News* were published during the year and distributed to over 20,000 people via the mailing list.

8.5 At the end of the year the production of *Doing Business with OFTEL* was reaching its final stages. This is a new guide for suppliers and large users of telecommunications services – OFTEL's 'clients' – to how the regulatory process works and how to approach OFTEL in the most effective and efficient way. Performance targets are included to give an idea of the sort of service OFTEL expects to deliver. Publication is due in early 1995.

OFTEL's Library and Public Register

8.6 The Library has two main functions:

- To provide a library service for OFTEL staff and, by appointment, members of the public for research
- To maintain the Public Registers as required under the Telecommunications Act 1984. These Registers can be inspected by the public.

8.7 During the year, a total of 1,444 private researchers from the UK and overseas visited the Library and 15,000 enquiries were answered. These figures continue to show an upward trend even though 1993 had been a particularly busy year.

8.8 The Library also acts as a distribution point for OFTEL's publications (see paragraph 8.4 and Table 9). Although many OFTEL publications are free of charge, a total of 5,348 items were sold during 1993, accounting for £32,400 worth of sales – an increase of over 24% in value over 1992. More priced documents were published during the year than in 1992.

8.9 The Public Register consists of four groups of registers as follows.

1 Licences Register

8.10 This register contains a copy of every licence granted by the Secretary of State under section 7 of the Telecommunications Act 1984 in licence number order. A computer database acts as an index and contains a record for each licence. Through this licences can be found by name of licensee, type, number, area (unless it covers the whole UK), date granted or date expired. Any amendments to the licences form part of the Register and are recorded in the index.

8.11 At the end of the year there were 1,079 licences, excluding renewals, on the Register. A total of 48 new and re-issued licences were added during 1994. The new licences were of the following types:

- 8 Public telecommunications operator (PTO) licences (see paragraphs 3.1)
- 1 Broadband cable (PTO) licence
- 9 Broadband cable interconnection licences
- 3 International simple resale (ISR) licences (see paragraphs 3.4 to 3.6)
- 1 Satellite master antenna television (SMATV) licence (see paragraph 3.44)

- 1 Terrestrial flight telephony service (TFTS) licence
- 1 Mobile data licence
- 5 Public access mobile radio (Band III) licences
- 3 Class licences (see paragraphs 3.49 to 3.51)
- 9 Major private network and other non-PTO licences (see paragraph 3.52)

The Telecommunications Services Licence (TSL) – one of the two class licences under which most private networks are run – was among the seven licences re-issued during the year (see also paragraph 3.48). Table 10 overleaf shows the new licences.

2 Approved Apparatus Register

8.12 All apparatus connected to a public telecommunications network in the UK must be approved. This register contains copies of the approval certificate arranged alphabetically by name of approval holder (manufacturer or UK supplier). A list of approved apparatus is kept on a computer database which can be searched by:

- approval number
- approval holder's name or address
- trade name, description or classification of the apparatus, or
- dates of approval, expiry or withdrawal.

Fuller documentation for most call routing apparatus (CRA) is also available (usually in the form of a private exchange master list).

8.13 By the end of 1994 there were 13,369 approvals on the Register. A total of 536 were added during the year and none withdrawn. In addition there were 208 site specific approvals (see paragraphs 5.3 and 5.4).

3 Approved Contractors Register (Maintainers)

8.14 Whenever a contractor is approved to maintain a specific item of call routing apparatus (CRA) an approval is issued under section 20 of the Telecommunications Act 1984. A contractor may therefore hold a number of approvals for different CRA, and similarly a particular piece of CRA might be one that several different contractors are approved to maintain. The Register index held on the computer database can therefore be searched for all the CRA maintained by a specified approved contractor or for all the contractors approved to maintain a particular piece of CRA.

8.15 The number of contractor approvals granted in 1994 was 705. A total of 3,149 approvals were in force by the end of the year, held by 223 contractors in respect of 341 models of CRA. In addition five maintainers were approved to maintain serially connected equipment (SCE).

8.16 In addition there is a list of maintainers and installers who are registered to offer connection services for CRA to the public telecommunications networks

Table 10 New individual licences granted in 1994

	Date of grant
PTOs	
Norweb plc	3 March
Videotron City and Westminster Ltd	3 March
Telecom Securicor Cellular Radio Ltd	22 March
Sprint Holding (UK) Ltd	31 March
Telstra (UK) Ltd	31 March
WorldCom International Inc	31 March
Racal Network Services Ltd	2 September
AT&T Communications (UK) Ltd	20 December
Broadband cable – PTOs	
United Artists (London South) plc in respect of the Croydon Cable franchise (previous licence revoked)	14 January
Broadband cable – interconnection of franchises	
<i>Licence to run telecommunication systems to interconnect telecommunication systems run by:</i>	
United Artists Communications (North Thames Estuary) Ltd and United Artists Communications (South Thames Estuary) Ltd	24 March
Mildands Cable Communications Ltd and Telford Telecommunications Ltd	18 May
United Artists Communications (Scotland) Ltd and Cable North (Forth District) Ltd	6 July
Nynex Cablecomms Bolton and Nynex Cablecomms East Lancashire	8 July
Jones Cable Group of South Hertfordshire Ltd	28 July
Yorkshire Cable Communications Ltd and Wakefield Cable Communications Ltd	12 August
Nynex Cablecomms Macclesfield and Nynex Cablecomms Staffordshire	12 August
Diamond Cable (Newark on Trent) Ltd and Diamond Cable (Lincoln) Ltd	16 September
United Artists Communications (South East) Ltd	12 December
International simple resale (ISR)	
Telia International UK Ltd	31 March
Incom (UK) Ltd	6 June
Concert Communications Ltd	20 December
Satellite Master Antenna TV (SMATV)	
Norwich Cablevision Ltd – Norwich area	20 May
Public access mobile radio (PAMR) (Band III)	
WRN Ltd – Southampton, Portsmouth, Brighton and Basingstoke	25 February
RT Radiophones Ltd – Essex and Suffolk	22 March
RT Radiophones Ltd – Telford, Stoke-on-Trent, Shrewsbury, Ludlow, Kidderminster and Stafford	22 March
RT Radiophones Ltd – Dunstable, Northampton, Leicester, Coventry, Stratford-upon-Avon, Evesham and Oxford	22 March

Table 10 continued

	Date of grant
Radionet Network Services Ltd – West Yorkshire, Sheffield and Chesterfield	22 March
Terrestrial flight telephony services (TFTS)	
British Telecommunications plc (ground station)	14 October
General	
Videcom Customer Services Ltd	6 April
BR Telecommunications Ltd	31 March
Civil Aviation Authority	11 April
Addox Ltd	10 June
Imminus Ltd	1 July
British Broadcasting Corporation – fixed links and satellite systems	5 August
Taxi Rank Telephones Ltd	28 July
Talkland International (UK) Ltd	23 November
LCL Cable Communications Ltd in respect of the area of Coalville	21 December

under the terms of the OFTEL/QAG/2 Scheme (see paragraphs 5.11 and 5.12). During the year 23 installers and 33 maintainers were registered under the Scheme, bringing the totals to 89 and 69 respectively.

4 Miscellaneous registers

8.17 OFTEL keeps a register of licence applications under consideration by the Secretary of State for Trade and Industry (see also paragraph 3.3). This register started after the Duopoly Review finished in 1991 and is updated weekly.

8.18 All systems registered under the class licence for satellite master antenna television (SMATV) networks covering no more than 1000 homes are kept on a register. The Register contains an index of licensees and the maps of their licensed area. At the end of the year 2,089 systems were registered – 108 systems were added in 1994 (see paragraph 3.44).

8.19 The Library holds a list of General Approvals under section 22 of the Telecommunications Act 1984 and a list of standards designated by the Secretary of State under section 22(6) of the Act.

Other documents held

8.20 In addition to these Registers the Library also holds copies of the responses to most OFTEL consultative documents, draft PTO licences when these are out for public consultation, and copies of interconnection agreements published under Condition 16A of BT's licence.

PART THREE

THE ADVISORY COMMITTEES

9.1 The six Committees – one for each country of the UK, together with two others focussing on the special interests of smaller businesses and of disabled and elderly people – were created by the Telecommunications Act 1984. Their members are individually appointed and are independent of OFTEL.

9.2 The Committees' role is to provide advice to the Director General of Telecommunications, either at his request or on their own initiative, across the full range of his activities. The interests of consumers have priority in that advice.

9.3 The Committees maintain contact with telecommunications providers, with a wide range of consumer groups and, through liaison with the nationwide network of some 160 local Telecommunications Advisory Committees, with the public at large.

9.4 Committee secretariats in Scotland, Wales and Northern Ireland handle local consumer representations on behalf of OFTEL and supported by it. The London-based secretariat which services the other three Committees uses OFTEL's resources directly to deal with most complaints received by them.

9.5 Each Committee is required to make a formal Report annually to the Director General. These Reports are published on the following pages. Each Committee also publishes separately a more detailed record of its activities and views, which is available free from the Secretary to the Committee at the address given on the next page.

THE ADVISORY COMMITTEES

- English Advisory Committee on Telecommunications (ENACT)
 - Business Advisory Committee on Telecommunications (BACT)
 - Advisory Committee on Telecommunications for Disabled and Elderly People (DIEL)
 - Northern Ireland Advisory Committee on Telecommunications (NIACT)
7th Floor
Chamber of Commerce House
22 Great Victoria Street
Belfast BT2 7QA
Tel: 01232 244113
 - Welsh Advisory Committee on Telecommunications (WACT)
Caradog House
St Andrews Place
Cardiff CF1 3BE
Tel: 01222 374028
- all the above three are based at:
50 Ludgate Hill
London EC4M 7JJ
Tel: 0171 634 8770 (voice)
Tel: 0171 634 8769 (MinicomVII)
- Scottish Advisory Committee on Telecommunications (SACOT)
2 Greenside Lane
Edinburgh EH1 3AH
Tel: 0131 244 5576

Consumer complaints and enquiries to all can be made by phone on 0345 145 000

REPORT OF THE BUSINESS ADVISORY COMMITTEE ON TELECOMMUNICATIONS (BACT)

Membership and activity during 1994

9.6 The Chairman and three members completed their terms of office during the year. The Committee wishes to record its thanks to them for their work over many years. A new Chairman is in post but members' appointments are awaited. A membership list is annexed.

9.7 Because of personnel changes and other problems the Committee met only three times. It was unable to publish an edition of its newsletter *BusinessLine* and was not involved in any external events. However, the current and ex Chairmen each attended an ACT liaison meeting with the Director General. The Committee thanks OFTEL staff for their continued support, both at meetings and in providing background training for members; and its Secretariat for providing continuity in a difficult period.

9.8 Overall, the year was one of consolidation. BACT's strategy was revised to give it a more proactive role; and its priorities updated. The central objective is now to ensure that the needs of smaller businesses are reflected in the design of telecommunications services and their delivery, to avoid lack of, or – worse – special and expensive, provision. The Committee will also work to help firms be aware of and take advantage of the competitive services which are available. These principles guided the Committee's discussion and advice on a wide range of topics in 1994. Details of its work and views are published in its separate activity report, but some key examples are noted here.

Major areas of work

9.9 BACT's immediate priority is to pursue the widest possible application of number portability. The Committee stressed the importance to businesses of this in 1993; and repeated its growing concern in 1994. It is disappointed that, despite pressure from OFTEL, no PTOs have yet reached agreement on providing it. This position is unacceptable and must be resolved quickly.

9.10 The Committee continued to pursue the problems of fax – its lack of information security, unacceptability as a legal document, unpredictable transmission cost, etc; and is seeking a further meeting with the industry to push for improvements. BACT has also consulted firms on problems with the format of phone bills from some PTOs; and has proposed changes. It will progress this issue in 1995.

9.11 On the information front, the committee was active in promoting the need for early action on PhONEday in business journals; and is now developing advice on a number of other issues. A *BusinessLine* will be published early in 1995.

Other activity

9.12 Although not part of its own strategy, BACT was happy, at the request of the Director General, to take on two roles. First, to establish a Task Force with representatives of the hotel industry, consumer groups and tourist authorities. The aim is to see what might be done to improve the poor home and overseas perception of hotel telephone charges in the UK. BACT anticipates real progress on this front in 1995. Second, to provide an OFTEL-nominee Director for the Telephone Preference Scheme, which aims to provide consumers with a structured way to avoid unsolicited sales calls. BACT also made proposals for a long-term technical platform for the scheme.

MEMBERSHIP OF THE COMMITTEE

Chairman

Gisela Berg CBE (from 1 July 1994)
Chairman, Audio-Electronics Exporting. London

Michael Ashton (to 30 June 1994)
Chairman and Managing Director, Metal Finishing.
West Midlands



Members

Joy Allan
Managing Director, Hotel and Catering. North Yorkshire

Judith Barden
Managing Director, Print Finishing. West Yorkshire

Sefton Bennett
Managing Director, Glass Merchants and Glaziers. Humberside

Robert Frenzel (to 30 September 1994)
Director, Retailing, Property, Consumer Electronics. Suffolk

Patrick Frymann (to 30 September 1994)
Divisional Manager, Textile Machinery. Nottinghamshire

Richard Furey
Managing Director, Electronic Systems Design. Co Antrim

Michael Jordan
Managing Director, Stairway Design. Cornwall

Sean Mayo
Proprietor, Engineering Consultancy and Agents. Gloucestershire

Pamela Parker
Director, Export Project Procurement Agency. Surrey

Margaret Seymour
Managing Director, Civil Engineering Design and Construction. Lanarkshire

Michael Taylor (to 30 June 1994)
Managing Director, Investments and Road Haulage. London

Joint Secretaries

Roy Cozens
Chris Martin

REPORT OF THE ADVISORY COMMITTEE ON TELECOMMUNICATIONS FOR DISABLED AND ELDERLY PEOPLE (DIEL)

Membership and activity during 1994

9.13 There was one addition to the membership of the Committee during the year. A list of members is annexed. The Committee met on four occasions and the Chairman attended both ACT Chairs' liaison meetings with the Director General. The Chairman and one of the Secretaries attended Consumer Congress; and the Chairman, members and Secretaries represented DIEL's interests at other external events. In December, the Chairman spoke at an international conference on communications for people with special needs in Lisbon.

9.14 The Committee welcomed OFTEL's Consumer Affairs Director and other OFTEL representatives to two of its meetings. This helped to inform and assist its discussions and to provide useful background training sessions on legal and technical matters.

9.15 DIEL held a joint meeting with BT's Consumer Relations Committee for Age and Disability. The Secretaries had regular contact with BT's staff. Through the Secretariat we continued to maintain regular links with other outside bodies with similar interests, including the Telecommunications Action Group for deaf and speech impaired people.

9.16 The Committee undertook a major review of its aims and strategy during the year in order to reflect the changes which are taking place in the telecommunications market. Its results were presented to the Director General for his endorsement.

9.17 We published a new edition of the *DIEL Information Pack* on telephone services and facilities for disabled and elderly people.

Major areas of work

9.18 The Committee continued to seek ways of ensuring that all disabled and elderly people can have access to telephone service. Functional equality with other telephone users for those unable to use conventional equipment and services remained a primary focus.

9.19 Key subjects considered by the Committee included:

- Potential effect of EC telecommunications legislation on telephone equipment for disabled people
- Further improvements and new facilities for textphone users
- Access to CLI services for disabled people
- Removal of telephone conversion charges for community alarm users
- The Government's consultation document on measures to tackle discrimination against disabled people

9.20 At the end of the year, the Committee was in discussion with OFTEL about commissioning new qualitative research into special needs to inform future discussions. It had started to consider its response to the issues raised by OFTEL in its public Consultative Document *A Framework for Effective Competition*.

DIEL views

9.21 Full details of the Committee's views on the key issues set out above are given in its separately available report, *DIEL – Promoting Telephone Access for Disabled and Elderly People*. A brief digest follows.

EC telecommunications legislation

9.22 Legislation to promote an open market for telecommunications equipment within the EEC could, if interpreted very strictly, force the UK and other members to remove technical requirements that protect the interests of disabled people. DIEL has been involved in discussions with OFTEL and the DTI to promote a wider European understanding of this issue.

Textphone users

9.23 DIEL continued to take a close interest in the Typetalk relay service for deaf and speech impaired people. It was very disappointed that the long awaited emergency call service (offering textphone users an equivalent to 999) was not launched in 1994. This is long overdue.

Calling line identification (CLI)

9.24 DIEL welcomed BT's introduction of Caller Display and Call Return services. The latter is of particular benefit to people who find it difficult to answer the phone quickly. It was disappointed that BT did not offer an equivalent service to Caller Display for visually impaired customers from the outset and has asked the company to look into this urgently.

Community alarms

9.25 DIEL receives complaints that elderly people with old telephone installations are deterred from joining community alarm systems because they cannot afford BT's charge to install the new plug-in socket. BT waives the charge when providing extension bells to people with poor hearing and DIEL has strongly urged the company to extend this concession.

Discrimination against disabled people

9.26 In response to the Government's consultation document, DIEL stressed that access to a telephone was a necessity and that this should be recognised in the proposed right of access to goods and services. It called for the additional needs of disabled people to be given careful attention at the design stage of new products and services; for better access to payphones in buildings; and for more Government and other public offices to offer textphone access.

Other matters

OFTEL's Working Group for the Hearing Impaired (WGHI)

9.27 DIEL kept in touch with WGHI through common membership and its Secretariat. It was unfortunately not possible for its Chairman to attend a DIEL meeting. This will be rectified in 1995. WGHI's report is annexed.

MEMBERSHIP OF THE COMMITTEE

Chairman

Jean Gaffin

Executive Director, National Council for Hospice and Specialist Palliative Care Services



Members

Sheila Barrows MBE

Chairman, Friends of Brookwood Hospital

David Dunsmuir

Director, Disability Scotland

Michael Godfrey

Manager, Friends of the Royal Botanic Gardens, Kew

Wally Harbert OBE

Director, Planning and development, Help The Aged

David Hyslop

Director, Breakthrough Trust

Colin Low

Senior Research Fellow, City University

David Mann (from December 1994)

Group Manager, Support for Independent Living, RNIB

Michael Martin OBE

Consultant in the speech and hearing field

Professor Eric Midwinter OBE

Visiting Professor of Education, University of Exeter

Sheila Porter

Principal Social Services Officer, West Glamorgan County Council

Nancy Robertson

Consultant in the disability field

Dr Eleanor Steiner

General Practitioner

Joint Secretaries

Roy Cozens

Chris Martin

**Annex: The Working Group on Telecommunications
for the Hearing Impaired (WGHI)**

9.28 WGHI advises the Director General on technical problems in meeting the telecommunications needs of hearing and speech-impaired people. During the year, WGHI continued to place strong emphasis on two key areas of concern – the development of a recognised standard for users of text terminals and the introduction of a satisfactory emergency call service for users of such equipment. It supported moves within Europe to introduce a new standard to aid compatibility of text terminal equipment (V.18) and was pleased that an international protocol has now been adopted. It was encouraged by the signs of interest shown by several manufacturers in providing equipment to meet this specification. WGHI shares DIEL's concern about the lack of an emergency service for textphone users.

9.29 WGHI continued to contribute towards progress on telephone and hearing aid compatibility. Its Chairman led discussions on the development of European and International standards in this field. There was much concern during the

year among the hearing-impaired community about rumours that telephone transmission levels within the UK were to be reduced. WGHI was pleased to note that these were unfounded. WGHI kept in touch with related work in the European field through its cross-membership of European and international technical bodies.

REPORT OF THE ENGLISH ADVISORY COMMITTEE ON TELECOMMUNICATIONS (ENACT)

Membership and activity during 1994

9.30 There were no changes in membership during the year. A list of members is annexed. The Committee met in full on four occasions and sub-committees met on a further five. The Chairman attended both ACT Chairs' liaison meetings with the Director General.

9.31 The Chairman, members or secretary attended Consumer Congress and represented ACTs' interests at various external events in England. Members met 98 of the 130 local Telecommunications Advisory Committees (TACs) during the year, mainly through attendance at regional group meetings, and an issue of the information sheet *Newsline* for them was published. Five TACs were visited individually for special reasons.

9.32 The Committee wishes to record its thanks to OFTEL for support provided throughout the year. Staff attended three full meetings and a sub-committee to inform and assist the Committee's discussions. They also provided background training sessions on technical, legal and financial issues.

9.33 The Committee undertook a full review of its aims and strategy during the year and presented the results to the Director General. He endorsed the Committee's approach, which is based on three objectives: that there should be universal access to the telephone and equity in the delivery of services; that services should be focused on customer needs, rather than technical capabilities; and that customers should be well and clearly informed on the choices open to them.

Major areas of work

9.34 Most of the Committee's programme in 1994 was concerned with four broad consumer themes – choice, privacy, protection and prices. For example:

- Competition has created more choice, but it can only be exercised effectively on the basis of good information. The Committee has been involved in work to develop comparable performance data for suppliers; to produce simple price comparisons; and to ascertain other customer information needs.
- Customer privacy has been examined in terms of the use and control of directory information; calling line identification services; and telephone selling.
- Consumer protection issues have arisen on hotel telephone pricing; the effect of EC Directives on apparatus standards; new customer codes of practice from suppliers; and OFTEL's compliance and complaint-handling procedures.
- On prices, the Committee has taken a particular interest in the balance of price reduction between residential and business customers; the Light User Scheme; and BT's plans to move to elapsed-time charging.

9.35 Amongst strategic issues debated were number portability; the arrangements for PhONEday; the structure of the post-PhONEday numbering system; the development of video-based services; the structure and role of the TAC network; and the fundamental developments in regulation proposed in *A Framework for Effective Competition*. Key individual topics and the Committee's views on them are set out in its separately-published report *A Voice on the Phone*.

Complaints and representations

9.36 The arrangement under which most complaints originating in England are dealt with by OFTEL was maintained. The Committee received regular reports on activity and discussed handling procedures with staff involved. A small number of substantive representations on matters outside OFTEL's powers were taken up direct. All were resolved and the Committee records its thanks to the PTOs involved for their positive approach.

MEMBERSHIP OF THE COMMITTEE

Chairman

Moira Black

Chairman, Riverside Community Health Care
NHS Trust. London



Members

Anne Ballard

Director, Direct Mail Services Standards Board. Oxfordshire

Diana Banks CBE

Member, Boissard Research Fund. Kent

Harry Branchdale

Accountant and Businessman. London

Iain Bryce

Accountant in professional practice. Humberside

James Cooper

Chairman, Gas Consumers Council. Cheshire

David Green

Farmer and rural issues adviser. Hampshire

Bob Little

Ex-Director, telecommunications equipment manufacturing. Nottinghamshire

Brian Love

Consultant, management and telecommunications. Warwickshire

Claire Milne

Consultant, telecommunications and social issues. Essex

Douglas Oram

Hotel Group Telecommunications Manager. West Midlands

Dr Joyce Wood

US regulatory lawyer, specialising in telecommunications. Sussex

Secretary

Chris Martin

REPORT OF THE NORTHERN IRELAND ADVISORY COMMITTEE ON TELECOMMUNICATIONS (NIACT)

Membership and meetings

9.37 The Committee lost one member during the year, to other commitments; and welcomed three new members. A membership list is annexed. NIACT met formally three times, but most members also attended its very successful

conference in March, at which the Director General of Telecommunications was a principal speaker.

Work of the Committee

9.38 Among the main items considered during the year were:

- Quality of cellular mobile services
- Protection against unsolicited telephone selling
- Future numbering arrangements
- Telephone call charging
- Directory information
- Telephony as a social provision

9.39 The quality of cellular telephone services in Northern Ireland is a subject of serious concern to the Committee. NIACT notes that a detailed survey, comparable to that carried out in Great Britain, has not been undertaken in the Province. NIACT believes that this shortcoming should be remedied.

9.40 Although experience suggests that uninvited sales calls are less of a problem in Northern Ireland than elsewhere, NIACT welcomed plans by the direct marketing industry to introduce a telephone preference scheme to enable consumers to protect their privacy.

9.41 The Committee advised that future numbering of premium rate services should permit consumers to distinguish them more clearly from free services. It was also anxious to avoid any risk of confusion in Northern Ireland arising as a result of early introduction of the '02' range of geographically-based numbers following PhONEday and, therefore, recommended cautious progress.

9.42 NIACT worked with the local advisory bodies (TACs) to monitor the cost of some short distance calls in Northern. These appeared unreasonably high and discussions were in progress with the relevant operators at the end of the year. NIACT favours the introduction of elapsed-time (or per-second) charging by BT, which will charge users for actual call duration rather than 'units' and enable customers to compare BT's charges more easily with those of other operators.

9.43 The Committee feels that the inclusion of postcode information in local telephone directories is most useful to customers. Although this is outside OFTEL's remit, NIACT continues to encourage BT and the Post Office in Northern Ireland to achieve it as soon as practicable.

9.44 The importance of the telephone in measures to assist social inclusion and economic development was recognised by the Committee during its consideration of several policy issues. The Committee supports the universal service obligation and feels that the costs should be borne by all telephone operators. It would like to see the further extension of telephony to special healthcare services for elderly and disabled people; costed across all suppliers.

Table 11 Summary of complaints and enquiries received by NIACT during 1994 (written and telephoned)

Category of complaint	1993	1994
Disputed accounts	134	98
Billing matters	24	26
Fault repair service	5	10
Provision of service	8	6
Payphones	5	12
Operator services	2	12
Quality of service	18	30
Compensation Scheme	7	8
Telephone books	5	4
Customer confidentiality	0	0
Uninvited calls	3	2
Arbitration	0	2
Price changes	0	4
Charges	33	30
Deposits	0	4
Totals	252	284

Most of these complaints were resolved directly between the Secretariat and the telephone companies. The Secretary was grateful for support from OFTEL when required.

9.45 The future nature and extent of the Universal Service obligation was discussed in a major OFTEL Consultative Document *A Framework for Effective Competition* published just before the end of the year to which NIACT will respond early in 1995.

Other contacts

9.46 The Committee continued to keep in close contact with the telephone companies operating in Northern Ireland and with Government Departments. Regular liaison took place with OFTEL and with the other Advisory Committees on Telecommunications.

Local Telecommunications Advisory Committees (TACs)

9.47 NIACT continued to work closely with the network of ten local Northern Ireland TACs. These represent the needs of local telephone users in their areas and have contributed in the past year to discussions within the Committee on subjects such as payphones, nuisance phone calls and number portability.

MEMBERSHIP OF THE COMMITTEE

Chairman

Mr J L C Thompson BA BBS
Company Director. Belfast



Members

Ms M T Breslin (from March 1994)
Mechanical engineer. Co Londonderry

Mr W Carruthers OBE (to September 1994)
Company director. Co Antrim

Mrs C C Corrigan (from January 1994)
Chartered accountant. Co Antrim

Mrs S C Hogg BA
Member, Western Education and Library Board. Co Fermanagh

Mr J A Kerr
Communications Manager, Health Trust. Belfast

Mr J O McDonald MBE MSc JP
Chief Officer, Labour Relations Agency. Belfast

Mr W J H McPherson
General Manager, Banking. Belfast

Mr G E Mills BSc
Deputy Chairman, General Consumer Council. Co Down

Professor F Monds BSc PhD (from February 1994)
Pro Vice Chancellor, University of Ulster. Co Fermanagh

Mrs M Noble
Panel member, Industrial & Employment Tribunals. Belfast

Mr J D Thompson MA DL
Solicitor and Notary Public. Co Armagh

Secretary

Mr R T Jordan OBE JP

REPORT OF THE SCOTTISH ADVISORY COMMITTEE ON TELECOMMUNICATIONS (SACOT)

SACOT

Membership and activity during 1994

9.48 Two members resigned and five new members were appointed during the year. A membership list is annexed. The Committee held four meetings during the year. It is pleased to record the attendance of senior OFTEL and PTO personnel, who provided a valuable contribution to its work. SACOT visited BT's Network Operations Centre in Edinburgh. The Chairman attended discussions with the Director General of OFTEL and the Chairmen of the other Advisory Committees. Seven local Telecommunications Advisory Committees were visited by the Secretariat – a reduced level which reflects the year's tight financial settlement.

Major areas of work

9.49 Among the main items considered by the Committee during the year, and on which its views are published fully in its separate report, were:

- Provision of BT and Mercury quality of service information
- Calling Line Identification (CLI) and derived services
- Future numbering policy
- Strategic framework for SACOT
- PTO Consumer Codes of Practice
- Impact of EC legislation on technical approval requirements
- BT proposals to move to elapsed time charging
- New protection against telephone selling
- Charges for directory enquiries
- 'Lo-Call' access to OFTEL and its Advisory Committees
- Local call areas
- Funding for local TACs.

9.50 CLI attracted particular interest, since all BT's consumer trials were staged in Scotland. Whilst accepting the benefits of the service, the Committee urged consumers to think carefully about its effects. SACOT did not feel that its impact on daily life had been adequately explained – there had been insufficient consumer education by all concerned.

9.51 BT's proposal to introduce elapsed time charging, to replace the confusing 'unit', was welcomed. SACOT stressed the need to handle it in a way which would enable customers to make accurate comparisons of charges between PTOs.

Table 12 Summary of complaints and enquiries received by SACOT during 1994 (written and telephoned)

Category of complaint	1993	1994
Disputed accounts	369	187
Billing matters (others)	303	301
Fault repair service	92	62
Provision of service	127	112
Payphones	26	15
Operator services	24	24
Quality of service	148	34
Compensation scheme	52	32
Telephone books	44	50
Customer confidentiality	9	40
Uninvited calls	30	19
Arbitration	6	0
Price changes	3	1
Charges	89	136
Deposits	77	159
Miscellaneous	46	26
Total	1,445	1,198

Local Telecommunications Advisory Committee (TAC) funding

9.52 The Department of Trade and Industry's funding of TACs is administered, in Scotland, by the Committee's secretariat. In common with many budgets, the level of that funding was cut substantially during 1994. Regrettably, SACOT was forced to ask TACs to reduce their expenditure on representation of local consumer interests. However, it was agreed with DTI that the financial support arrangements for TACs should be reviewed, particularly payments to servicing bodies such as Chambers of Commerce and Local Authorities, to make them fairer and more effective. SACOT was asked to pilot new arrangements which, if successful, may be introduced more widely.

Development of telecommunications services in Scotland

9.53 Rapid growth has continued apace and many beneficial new services and price initiatives were introduced. The Committee welcomed Scottish Telecom as a new player in the market, leading towards even greater choice of trunk carrier. United Artists laid 1100 km of cable and can now offer local access to 30% of the population. By December, over 98% of BT's Scottish customers were served by modernised exchanges; and the number of payphones had risen by 18%. Readjustment of call area boundaries produced cost reductions of between 50%

and 80% in some rural areas. Mercury installed additional switching capacity for 30,000 new lines and introduced new routes. On the cellular front, Vodafone rolled-out its new GSM (Global System for Mobile) network in Scotland.

Complaints and other representations

9.54 The Lo-call number, introduced in 1993, has become much more used since its appearance, from April, on the reverse of BT bills. However, overall the number of complaints dropped by about 17%, reflecting two effects: fewer customers with cause for complaint; and more effective complaint handling by the network operators. The Committee welcomes both.

MEMBERSHIP OF THE COMMITTEE

Chairman

Mr W K Begg OBE

Chairman, engineering group. Glasgow



Members

Mrs J M Dickson (to May 1994)

Deputy Officer, residential home for the elderly. Perth

Mr D A Gardner

Director/broadcaster, commercial radio. Inverness

Mr C J Griffith (from February 1994)

Health, Safety and Environment Manager, manufacturing. Dumfries

Mr A F Harrison CEng FIEE FInstM (from December 1994)

Former Director of Telecommunications, Scottish Office. Melrose

Mr N M Hope (from December 1994)

Retired telecommunications engineer. Aberdeen

Mrs C J Jones BSc ARSM

Oil exploration geoscientist. East Sutherland

Mr I McCulloch (from February 1994)

Business development manager, electronics. Edinburgh

Mr P Michie (to August 1994)
Consultant in quality management. Aberdeen

Mr J Purvis CBE MA (Hons)
International business consultant. Fife

Dr E M Steiner MBChB DPH MFCM MRCGP
General practitioner. Oban

Mrs C B Watkin (from December 1994)
Adviser, Education Department, Tayside Regional Council

Professor H Williams
Professor of Business Computing, University of Strathclyde

Mr P Wilson JP
Former Councillor and past Convenor, Lothian Regional Council

Mr E Young MA (Hons)
Member, Post Office Users' Council for Scotland. Western Isles

Secretary

Mr R L L King

REPORT OF THE WELSH ADVISORY COMMITTEE ON TELECOMMUNICATIONS (WACT)

Membership and meetings

9.55 Two new members were appointed to the Committee, but one existing member had to resign owing to other commitments. A list of members is annexed. The Committee met on four occasions during the year and visited BT's research centre at Martlesham. The Committee's September meeting in Newport preceded WACT's annual conference with local Telecommunications Advisory Committees (TACs) in Wales.

Work of the Committee

9.56 Key topics considered during the year were:

- CLI and derived services
- Local call areas

- Future numbering policy
- PTO Consumer Codes of Practice
- Protection against uninvited telephone selling
- Improved access to ISDN and datacoms services

9.57 WACT welcomed the introduction of Calling Line Identity (CLI) services by BT and other operators from November 1994, although their availability was initially confined to customers already served by certain types of digital exchanges. The Committee intends to monitor users' reactions but, so far, the only complaints have come from customers who do not yet have access to these services.

9.58 WACT presented a paper to the Director General of Telecommunications setting out our views on what were seen as inequalities in relation to local call areas in Wales. The Committee felt that there was a case for enlarging some of these. OFTEL decided to consult other country ACTs on the topic and a response was still awaited at the end of the year.

9.59 On numbering policy, the Committee felt that it was important for consumers to be able to distinguish premium rate services from other, uncharged, telephone services clearly and simply, and therefore favoured the early migration of these services to the '09' series. WACT also welcomed the proposal from OFTEL for the '02' range to be used in due course for a second range of geographically based telephone numbers. However, the Committee considered that it was important that there should be no difference in the cost of making calls to numbers starting '01' or '02' in order to avoid one range being considered as inferior.

9.60 The Committee examined several new PTO Consumer Codes of Practice passed to it for comment by OFTEL and offered suggestions designed to make them more user-friendly.

9.61 WACT broadly welcomed plans by the direct marketing industry to introduce a voluntary Telephone Preference Scheme which would enable consumers to register that they do not wish to receive uninvited sales calls.

9.62 The Committee continued to press for better access to modern telecommunications technology and facilities throughout Wales. It was pleased to learn from BT that the company was now able to offer access to the ISDN to any customer in Wales who required it; and that a service point had been introduced in Cardiff for Welsh users of Switched Multibit Data Services.

9.63 During the year WACT also considered and agreed on a strategic framework plan for the Committee's future activities. This and a more detailed statement of the Committee's work are included in a separately published report.

Other contacts

9.64 WACT continued to maintain close contacts with the PTOs operating in Wales and with Government Departments. Regular liaison took place with OFTEL and the other Advisory Committees on Telecommunications through the Chair-

Table 13 Summary of complaints and enquiries received by WACT during 1994

Category of complaint	1993	1994
Disputed accounts	101	43
Billing matters	282	279
Fault repair service	60	114
Provision of service	75	80
Payphones	12	10
Operator service	10	17
Quality of service	30	13
Compensation Scheme	16	19
Telephone books	25	29
Customer confidentiality	2	4
Uninvited calls	14	11
Arbitration	3	-
Price changes	16	7
Charges	101	57
Deposits	7	4
Miscellaneous	491	418
Total	1,245	1,105

man (who attended two meetings of the Committee Chairmen with the Director General) and the Secretary.

Local Telecommunications Advisory Committees (TACs)

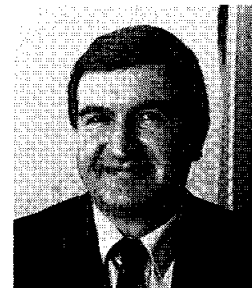
9.65 We kept in regular touch with TACs throughout Wales, who continued to provide us with a valuable source of consumer opinion in their areas.

MEMBERSHIP OF THE COMMITTEE

Chairman

Professor M D Tedd MA CEng MBCS

Professor of Computer Science, University of Wales, Aberystwyth



Members

Mr J Bannon (to November 1994)

Businessman. Gwent

Mrs P Blackwell

Voluntary Service Organiser. Powys

Mr D Dutton

Retired businessman. Clywd

Mr D Evans (from August 1994)

Businessman. Anglesey

Mr G Hall

Businessman. South Glamorgan

Mrs D Hammett (from August 1994)

National Executive of National Women's Register. West Glamorgan

Mr D Jones

Financial Consultant. Clwyd

Mr G Jones

Engineer. Gwent

Mr J Lloyd-Jones

Farmer. Gwynedd

Mr J Maynard BSc

IT Manager. Powys

Mr L Murphy JP

Local Councillor. Dyfed

Professor J J O'Reilly B Tech PhD

Professor of Telecommunications, London (formerly Bangor)

Mrs G Williams

Accountant. Gwent

Secretary

Mr G J Mackenzie

APPENDIX

BACKGROUND STATISTICS

This appendix contains a selection of information on the UK telecommunications industry as a background to the Annual Report

1 TELEPHONE PENETRATION RATES

Percentage of households with a telephone (1972, 1980–1993 Great Britain)

	Percentages
1972	42
1980	72
1981	75
1982	76
1983	77
1984	78
1985	81
1986	83
1987	83
1988	85
1989	87
1990	88
1991	88
1992	89
1993	90

Source: OPCS – General Household Survey

2 EXCHANGE CONNECTIONS AND CALLS

2.1 Exchange connections in service by type of subscriber (1984–1994 United Kingdom) – directly connected lines only

Year (at 31 March)	Total (000s)	Residential customers (000s)	Business customers (000s)
1984*	19,812	16,044	3,768
1985*	20,528	16,596	3,932
1986*	21,261	17,120	4,141
1987*	21,908	17,549	4,359
1988*	22,664	18,106	4,558
1989*	23,740	18,703	5,307
1990*	24,797	19,246	5,551
1991*	25,368	19,573	5,795
1992	25,918	19,882	6,036
1993	26,558	20,365	6,192
1994	27,376	20,943	6,433

* Figures for these years relate to BT only. The final 3 years relate to all operators in the UK.

2.2 Payphones in service by type (1984, 1986–1994 UK)

Year (at 31 March)	BT public payphones ¹ (000s)	BT private rented payphones ² (000s)	Other operator payphones ³ (000s)
1984	77	286	n/a
1986	77	296	n/a
1987	78	306	n/a
1988	n/a	n/a	n/a
1989	86	358	n/a
1990	90	286	n/a
1991	96	260	n/a
1992	105.5	240.5	3.4
1993	113.0	214.0	3.6
1994	123.7	184.7	5.6

n/a not available

¹ Figures include BT's 'managed' payphones, ie those installed typically at stations or airports and managed by BT.

² Figures relate to payphones which BT sell or rent to customers.

³ Figures relate to Mercury and Kingston Communications. 31 March 1992 is the earliest date for which data have been collected.

Note: This table replaces Tables 2.2 and 7.4 in *OFTEL Annual Report 1993*. The figures for Mercury included in the final column above, which record payphones operated by Mercury itself, are not comparable with those in Table 7.4 last year, which included Mercury payphones operated by other companies.

2.3 Retail call revenues from fixed link telephony, by type of call – all operators (shown in £ million)

	Year to 31 March:	
	1993	1994
(a) Simple voice message conveyance:		
Local calls		
Business customers*	847	865
Residential customers*	1292	1360
Total	2147	2232
National calls		
Business customers*	1270	1274
Residential customers*	1049	1080
Total	2335	2371
Outgoing international calls		
Business customers*	673	680
Residential customers*	562	603
Total	1239	1287
All calls		
business customers*	2790	2819
residential customers*	2904	3043
Total	5721	5891
(b) Other systems business and value added services†	913	1061
(c) Calls from payphones	382	411
<p>* Not every operator has been able to supply the split of these retail call revenues by type of customer. Therefore the sum of "business" plus "residential" does not equal "total".</p> <p>† Calls to freephone, special local rate and premium rate services, calls via operator services including directory inquiry services, calls to paging services, calls to the speaking clock, calls paid for through chargecard arrangements, calls from a virtual private network system, phonebase calls and calls from fixed link to mobile telephones are included in this category.</p> <p>Source: OFTEL</p>		

2.4 Retail call minutes on fixed link telephony, by type of call – all operators
(shown in millions of minutes)

	Year to 31 March:	
	1993	1994
(a) Simple voice message conveyance:		
Local calls		
Business customers ¹	22,171	22,341
Residential customers ¹	41,325	44,839
Total	64,189	67,922
National calls		
Business customers ¹	14,473	14,665
Residential customers ¹	14,055	16,338
Total	28,729	31,217
Outgoing international calls		
Business customers ²	n/a	n/a
Residential customers ²	n/a	n/a
Total	2,920	3,221
All calls		
Business customers ²	n/a	n/a
Residential customers ²	n/a	n/a
Total	95,839	102,360
(b) Other systems business and value added services³	2,418	2,915
(c) Calls from payphones⁴	n/a	n/a
n/a Not available		
¹ Not every operator has been able to supply the split of these retail call minutes by type of customer. Therefore the sum of "business" plus "residential" does not equal "total".		
² BT is unable to supply the split of these retail call minutes by type of customer. Therefore the split is shown as "not available".		
³ Calls to freephone, special local rate and premium rate services, calls to directory inquiry services, calls to paging services, calls to the speaking clock, calls paid for through chargecard arrangements, calls from a virtual private network system, phonebase calls and calls from fixed link to mobile telephones are included in this category. NB call minutes on calls via operator services other than those to directory inquiry services are not available.		
⁴ Call minutes on calls from payphones have not been collected.		
Source: OFTEL		

2.5 Miscellaneous revenues from fixed link services, by type of service – all operators (shown in £ million)

	Year to 31 March:	
	1993	1994
(a) Connections:		
Exchange lines		
Business customers*	114	98
Residential customers*	108	107
Total	224	207
Leased lines		
Analogue	56	52
Digital	33	41
Total	89	93
(b) Rentals:		
Exchange lines		
Business customers*	719	773
Residential customers*	1454	1570
Total	2187	2356
Payphones	51	48
Leased lines		
Analogue	504	466
Digital	542	584
Total	1046	1050

* Not every operator has been able to supply the split of these revenues by type of customer. Therefore the sum of "business" plus "residential" does not equal "total".

Source: OFTEL

2.6 Network revenue of cellular network operators (shown in £ million)

	Year to 31 March:	
	1993	1994
Connection of cellular telephones	23	42
Rental of cellular telephones	346	422
Calls made on cellular telephones	425	514

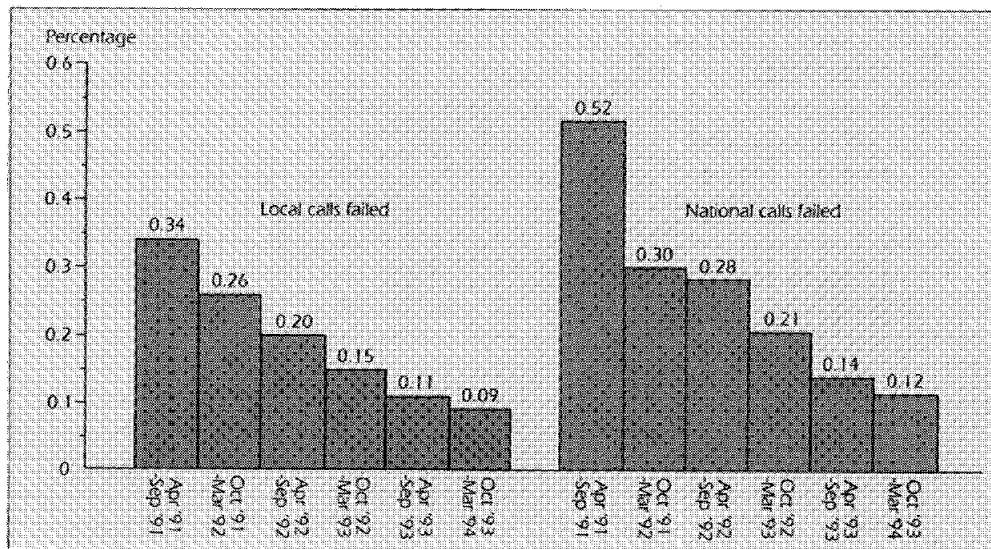
The figures relate to the network revenues received by cellular network operators from their service providers and direct services businesses.

Source: OFTEL

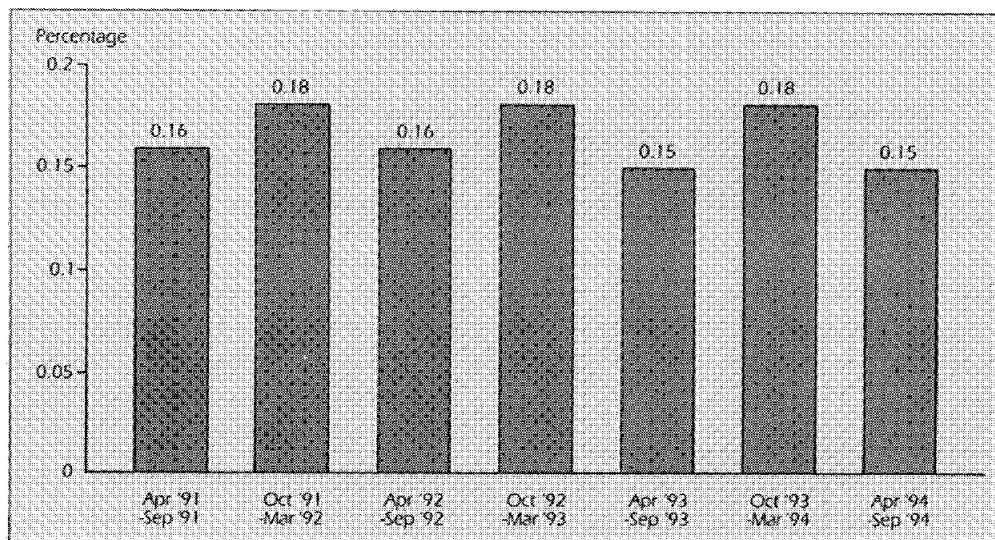
3 BT'S QUALITY OF SERVICE

3.1 Network reliability

(a) Local and national call failures due to defective equipment or congestion



(b) Customer reported network faults per line per annum



Source: BT

3.2 Fault Repair Service (1990–1994)

	Percentage of faults cleared:			
	within 5 working hours or by successful appointment Business	within 9 working hours or by successful appointment Residential	within 2 working days	
	Business	Residential	Business	Residential
Apr'91–Sept'91	87.2	85.9	99.3	98.3
Oct'91–Mar'92	87.9	85.8	99.4	98.6
Apr'92–Sept'92	83.0	81.7	98.7	98.0
Oct'92–Mar'93	83.2	76.4	98.3	95.3
Apr'93–Sept'93	86.3	80.2	98.9	96.8
Oct'93–Mar'94	86.1	73.6	98.8	94.0
Apr'94–Sep'94	87.6	75.5	98.9	95.2

Source: BT

3.3 Operator services and directory enquiries (1990–1994)

	Operator calls answered in 15 sec	Directory enquiries answered in 25 sec
	%	%
1984	86.0	n.a
1986	85.6	74.0*
Oct'90–Mar'91	88.8	89.4
Apr'91–Sept'91	90.1	94.1
Oct'91–Mar'92	94.0	92.8
Apr'92–Sept'92	91.4	83.7
Oct'92–Mar'93	93.0	92.5
Apr'93–Sept'93	91.0	89.3
Oct'93–Mar'94	90.7	90.1
Apr'94–Sep'94	90.4	90.3

*Figures not available before 1986 on a comparable basis
n.a Not available

Source: BT

4 MERCURY'S QUALITY OF SERVICE

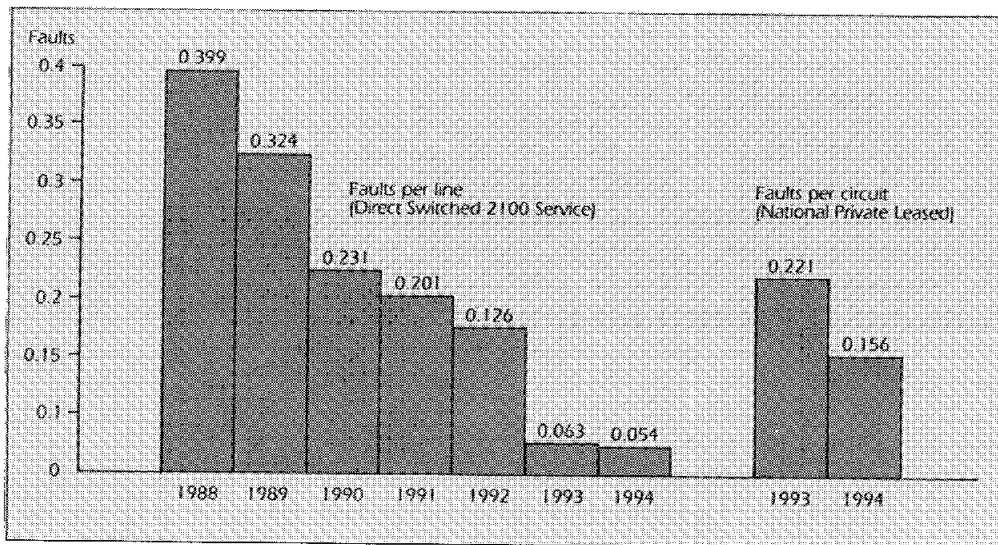
4.1 Availability of service (1988-1994)

Year	Average availability of all circuits		Circuits with availability more than 99.5%	
	Mercury faults only ^{1,2} %	All outages ¹ %	Mercury faults only ³ %	All outages ³ %
1988	99.9	99.8	97.9	95.2
1989	99.9	99.8	97.2	93.0
1990	99.9	99.8	96.3	92.7
1991	99.9	99.8	97.4	95.0
1992	99.90	99.86	97.58	96.21
1993	99.99	99.98	99.69	99.57
1994	99.99	99.98	99.74	99.47

Notes
 Table shows availability of directly-connected customer circuits.
¹ Annual figures prior to 1994 were estimated by OFTEL by averaging quarterly figures supplied by Mercury
² Excluding planned outages (normally arranged to minimise the effect on customers) and those due to other administrations
³ All annual figures were estimated by OFTEL by averaging quarterly figures supplied by Mercury
Source: Mercury 1994 figures for first two columns only; OFTEL estimates based on Mercury quarterly figures elsewhere

4.2 Incidence of faults and service restoration time

(a) Incidence of faults (1988-1994)



Annual figures prior to 1994 were estimated by OFTEL by averaging quarterly figures supplied by Mercury

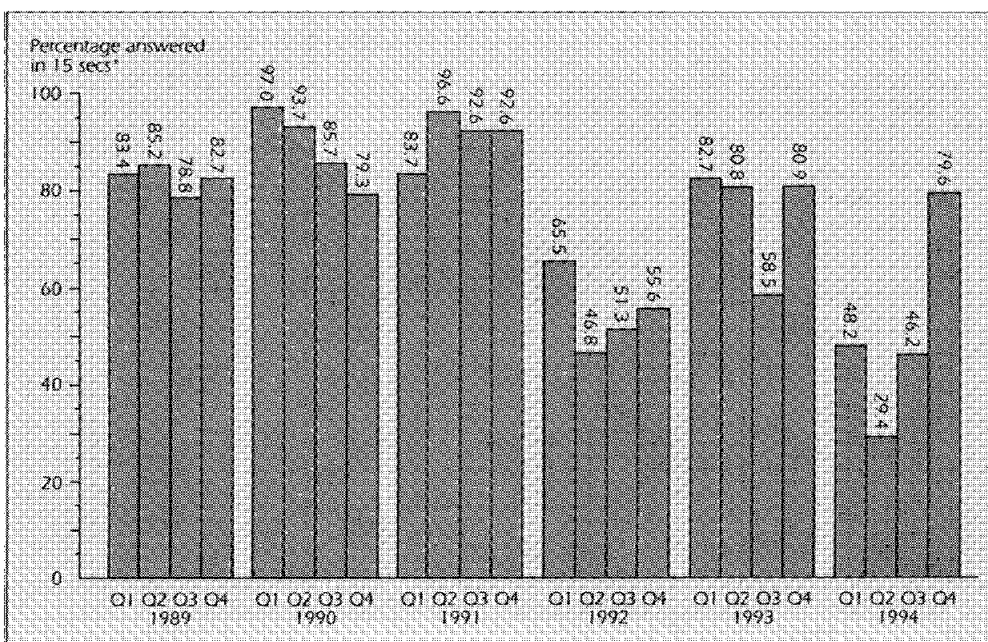
Statistics prior to 1993 are not available for faults per circuit on a comparable basis

(b) Service restoration time (1990–1994)

Year	Faults attended within 4 hours	Service restored within:	
	%	4 hours	48 hours
		%	%
1990	80.4	64.4	93.8
1991	78.3	64.3	94.0
1992	78.0	67.5	92.7
1993	78.8	73.1	95.9
1994	79.62	68.34	94.08

Annual figures prior to 1994 were estimated by OFTEL by averaging quarterly figures supplied by Mercury

4.3 Directory enquiries service (1989–1994)



* Of all calls reaching the service, the percentage which were answered within 15 seconds

Source: Mercury

4.4 Provision of service (1990–1994)

Year and quarter	Installations completed on time* %
1990	
first	66.0
second	74.7
third	79.0
fourth	81.3
1991	
first	78.5
second	83.9
third	84.4
fourth	83.4
1992	
first	83.6
second	86.3
third	79.5
fourth	81.4
1993	
first	82.7
second	85.5
third	81.1
fourth	80.7
1994	
first	77.51
second	69.87
third	66.39
fourth	77.39
*Direct services combined	
Source: Mercury	

5 TELEX AND FACSIMILE SERVICES

5.1 Number of telex exchange connections (1984–1994 UK)

Year (at 31 March)	Total (000s)	BT (000s)	Mercury (000s)	Kingston (000s)
1984	92.9	92.9	–	–
1985	97.5	97.0	–	0.5
1986	104.8	104.3	–	0.5
1987	112.0	111.5	–	0.5
1988	n/a	116.2	n/a	0.5
1989	n/a	111.1	n/a	0.5
1990	n/a	98.6	n/a	0.5
1991	n/a	79.8	n/a	0.4
1992	n/a	63.5	n/a	0.3
1993	67.8	45.4	22.2	0.2
1994	58.4	34.4	23.9	0.1

Kingston started providing telex services in 1984-85; Mercury started in 1987-88.
n/a indicates that the figure is not available; Mercury is unable to provide figures for these years

5.2 Estimated numbers of facsimile terminals (1986–1994 UK)

	Number (000s)
December 1986	86
December 1987	173
December 1988	370
December 1989	556
December 1990	750
December 1991	920*
December 1992	1065*
December 1993	1195*
December 1994	1250

* Revised figures
Source: British Facsimile Industry Consultative Committee (BFICC)

6 TELEGRAPH AND TELECOMMUNICATIONS EQUIPMENT INDUSTRY DATA

6.1 Proportion of new PABXs and key systems supplied by BT (based on number of extension lines supplied) by size of system (1980-1993)

Year to 31 March	Small systems (%)	Medium systems (%)	Large systems (%)	Total systems (%)
1980-1981	99	87	0	83
1981-1982	100	92	0	81
1982-1983	97	85	1	74
1983-1984	95	80	17	76
1984-1985	95	75	48	75
1985-1986	84	63	52	69
1986-1987	78	50	37	58
1987*	68	43	38	52
1988*	65	45	37	51
1989*	59	43	37	47
1990*	50	35	38	40
1991*	45	35	33	38
1992*	49	27†	24	35
1993*	48	23	22	30

Notes:
 Small systems – up to 16 lines; Medium systems – 17 to 500 lines; Large systems over 500 lines
 * Figures for the years from 1987 onwards are January to December figures
 † Revised figure

Sources:
 1981-1985: The Monopolies and Mergers Commission, British Telecommunications plc and Mitel Corporation, a report on the proposed merger, HMSO 1986 (Cmnd 9715)
 1986-1993: MZA Consultants

6.2 Proportion of new telephones and telephone answering machines supplied by BT (ex manufacturers' deliveries) (1984-1993)

Year to 31 March	Telephones (%)	Telephone answering machines (%)
1984-1985	83	n/a
1985-1986	79	25
1986-1987	66	25
1987*	54	25
1988*	51	30
1989*	50	40
1990*	54	43
1991*	53	29
1992*	48	46
1993*	55	62

* Figures for the years 1987 onwards are January to December figures as data for the year to 31 March are no longer available
 n/a Not available
 Source: MZA Consultants

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