

**offtel**

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**1993**

**ANNUAL REPORT**

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OFFICE OF TELECOMMUNICATIONS





# **REPORT OF THE DIRECTOR GENERAL OF TELECOMMUNICATIONS**



*for the period 1 January  
to 31 December 1993  
to the Secretary of State  
for Trade and Industry*

PRESENTED TO PARLIAMENT  
IN PURSUANCE OF SECTION 55 OF THE  
TELECOMMUNICATIONS ACT 1984  
ORDERED BY THE HOUSE OF COMMONS  
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# CONTENTS

OFTEL SENIOR STAFF (29 March 1994)	iv
LETTER TO THE SECRETARY OF STATE	vi
<b>PART ONE</b>	
<b><u>DIRECTOR GENERAL'S STATEMENT</u></b>	<b>1</b>
CHOICE IN PROSPECT	1
CHRONOLOGY OF EVENTS AT OFTEL IN 1993	11
<b>PART TWO</b>	
<b><u>OFTEL'S ACTIVITIES</u></b>	<b>17</b>
TOWARDS MORE COMPETITION	17
Interconnection and accounting separation	17
Interconnect determinations	20
Network Interfaces Co-ordination Committee (NICC)	21
Equal access	22
Numbering issues	22
The provision of directory enquiry services	25
BT's 'special offers'	26
Other competition issues	27
LICENCES – NEW AND OLD	30
New operators' licences	30
International simple resale licences	31
BT's prices	31
Scrutinising price changes	36
Determinations on international accounting rates	36
Emergency call services	37
'Video on demand' services	37
Cable developments	39
Satellite matters	41
Mobile networks	41
Class licences for private networks	45
Other private network licences	46

<b>SERVING THE CUSTOMER</b>	<b>47</b>
Representations to OFTEL	47
Premium rate services (PRS)	52
Competition and Service (Utilities) Act 1992	53
Calling line identification (CLI)	54
New low user scheme for residential customers	55
Other consumer issues	55
Quality of service on the networks	58
<b>EUROPEAN AND UK STANDARDS AND APPROVALS</b>	<b>60</b>
European organisations	60
European Directives and other legislation	62
UK standards and approvals	64
<b>MANAGING OFTEL'S RESOURCES</b>	<b>66</b>
Financial arrangements	66
Staffing	67
Statement of accounts	68
<b>INFORMING THE PUBLIC</b>	<b>69</b>
Publicity	69
Publications	71
OFTEL's Library and Public Register	72
<b>PART THREE</b>	
<b>THE ADVISORY COMMITTEES</b>	<b>77</b>
<hr/>	
ACT FOR SMALL BUSINESSES (BACT)	78
ACT FOR DISABLED AND ELDERLY PEOPLE (DIEL)	83
ENGLISH ACT	89
NORTHERN IRELAND ACT	94
SCOTTISH ACT	99
WELSH ACT	104
<b>APPENDIX</b>	
<b>BACKGROUND STATISTICS</b>	<b>111</b>
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# OFTEL SENIOR STAFF

(29 MARCH 1994)



**DON CRUICKSHANK**  
Director General



**BILL WIGGLESWORTH**  
Deputy Director General

## BRANCH 1



**ANNA WALKER**  
Director of Competition

**JOHN BEAN**  
Interconnection and  
Accounting Separation

**RAY WARD**  
Interconnection

**CLAIRE WRIGHT**  
Interconnection

**SCOTT ROBINSON**  
Special Projects

**EDWIN JAMES**  
Broadband Cable, SMATV  
and Satellite Licences

## BRANCH 2



**CHRISTINE FARNISH**  
Director of Consumer Affairs

**MICK MOORE**  
Consumer Policy

**KEITH LOADER**  
Consumer Representations

**CHRIS MARTIN**  
Advisory Committees

## BRANCH 3



**SARAH CHAMBERS**  
Director of Licensing

**FRANCES CHAPMAN**  
Licensing Policy

**JULIET LAZARUS**  
International Licensing

**PETER GOOLD**  
International Affairs  
and Private Networks

**MOHINDER MAHI**  
Standards and Approvals

BRANCH 4



**PAT SELLERS**  
Director of Licence Compliance

**NICK STEINITZ**  
Mobile Operators, Numbering

**MIKE PRETTYMAN**  
Regulator of PTOs

**KATE HARRE**  
Directory Enquiries  
and Number Portability

Numbering  
Administration Unit

**ARTHUR ORBELL**  
UK Numbering Scheme Manager

BRANCH 5



**PETER WALKER**  
Technical Director

**ANTHONY LEACH**  
Technical Advice

**ROBERT CROLL**  
Technical Advice

**PHILIP BAXTER**  
Technical Advice

BRANCH 6



**ALAN BELL**  
Economic Director

**PETER CULHAM**  
Economic Advice

**DAVID REAMS**  
Economic Advice

**PETER ATKINSON**  
Statistical Advice

**IAN GOLDBOURNE**  
Statistical Advice

**CHRIS WOBSCHALL**  
Accounting Advice

**JOHN CLUNY**  
Business Strategy

BRANCH 7



**ALAN WOODS**  
Legal Director

**ALASTAIR PITBLADO**  
Legal Advice

**ISOBEL BROWN**  
Legal Advice

BRANCH 8



**DAVID SMITH**  
Director of Administration

**ROS BADGER**  
Finance, Personnel  
and Office Services

**MIKE MARTIN**  
Information Technology

BRANCH 9



**DAVID REDDING**  
Director of Information



**Don Cruickshank - Director General**

50 Ludgate Hill

London EC4M 7JJ

Tel: 071 634 8700

Fax: 071 634 8943

The Rt Hon Michael Heseltine, MP  
Secretary of State for Trade and Industry  
Ashdown House  
123 Victoria Street  
London SW1E 6RB

7 March 1994

*Now Secretary of State*

As Director General of Telecommunications I am required, by section 55 of the Telecommunications Act 1984 (the Act), to make to you an annual report to 31 December in 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 1993.

In the first part of the Report I comment on our progress in key areas during 1993. I also outline our plans and ambitions for 1994 and beyond. Part 2 describes OFTEL's activities during the year and Part 3 contains the reports of the six statutory advisory committees on telecommunications.

No references were made by me to the MMC during 1993.

*Don Cruickshank*

**DON CRUICKSHANK**



## **PART ONE**

# **DIRECTOR GENERAL'S STATEMENT**

### **CHOICE IN PROSPECT**

1.1 This is my first Annual Report as Director General of Telecommunications. When I took up office in April 1993 my first impression was of joining an industry in some turbulence – one reshaping and redefining itself to cope with the huge changes taking place. As the regulator, OFTEL was facing some major decisions fundamental to delivering a new age of full competition. I found OFTEL in good heart, with a positive and enthusiastic staff. And I would like to take this opportunity to thank my colleagues for their welcome, their hard work and support to me in my first nine months.

1.2 In this changing industry, we had to address a basic question: “How would anyone know whether the Director General and OFTEL have done a good job?” While dealing with the immediate issues of the day, we started formulating a view on the answer to this question. Clearly the answer is the key to how OFTEL itself should be organised and its resources deployed.

1.3 One aspect I was clear about – our goal. The focus must be on the customer and I have already started to re-organise OFTEL to reflect this. OFTEL’s efforts, and the costs incurred, can only be justified if all telecommunications customers – both business and residential – reap substantial benefits. By this I mean that they gain not only from cheaper prices but also by having access to the range and quality of services that fully meet their needs and expectations. In other words customers should get the best possible deal in terms of quality, choice and value for money – one of my duties under the Telecommunications Act 1984.

1.4 The interests of customers as the first priority is closely followed by the national economic interest – although that is consumers again in the end. While an open competitive market attracts inward investment, UK providers geared to

respond to customers' demands will compete more effectively in the global telecommunications market.

1.5 How do we judge whether OFTEL is succeeding? Here we will rely principally on the views of customers and their comparative experiences of the telecommunications market. Information from all groups of customers – from large businesses to those only just able to afford a telephone – will be needed to measure our progress and pinpoint how OFTEL can better serve the customer. I will return later to the present problem of the poverty of information.

1.6 What means does OFTEL have for achieving our goal? The most effective means I have is promoting competition. This will lead to real choice – by which I mean there should be three or more service providers knocking at the door offering a full range of services at a tariff structure of their choice. Competing infrastructures are crucial to our goal but building networks is slow and expensive. Although new competitors are coming up with innovative technical and business solutions, new entrants are not yet delivering the range of choice I am looking for. We cannot relax merely because licences have been issued and promises made. Certainly the prospects look very promising but we still have a long, long way to go.

1.7 OFTEL has a central role to play in removing barriers for new entrants. We may also consider setting entry terms to reduce such barriers to new operators where this will result in the building of sustainable and efficient competitive businesses. However, where competition is limited or not possible, regulation is still needed. This regulation must be enough – but no more than is needed – to simulate competition.

1.8 In future Annual Reports I intend to offer an assessment of OFTEL's progress towards our goal. I would appreciate views from telecommunications customers and providers of services – OFTEL's 'customers' – on the goal I have set and the way I intend to achieve it. I intend, as far as possible, to adopt an open approach to regulation and would welcome a challenging debate on our goal, on the means being deployed, and on our rate of progress.

1.9 As a starting point for this debate this statement offers an assessment of progress in 1993 and sets out some objectives for 1994 and beyond on which I will report next year.

## **Progress in 1993**

### **Introduction of competition**

1.10 Uppermost in most operators' minds – and OFTEL's – are the conditions of interconnection to BT's networks. This is a complex and difficult area but one which must be tackled if competition is to grow. An increasing number of

systems offering an expanding range of services will need interconnection. We have set out four fundamental criteria. First, there must be transparency of process and practice in setting interconnection charges. Second, charges must be efficient and sustainable. Third, there must be no undue discrimination. And fourth, the system must inspire confidence in the operators in the market.

1.11 Transparency is as important as technical solutions. The industry can only have confidence in the regime if it is sure that BT's interconnection charges are soundly based on relevant costs, properly allocated. Interconnecting operators must be able to see – through accounting separation of BT – a clear trail from costs to charges. Our discussions with BT are well advanced. We hope to see some form of separate accounts for the 1993/94 financial year and full separate accounts for 1994/95. We hope these will pass my test: that they show BT's retail operations are at arm's length from the network and that they buy in network services at the same prices and under the same conditions as all other operators.

1.12 OFTEL too must become more transparent and open-minded. I am committed to ensuring that the regulation process itself is conducted as far as possible in public. For the first time we included an explanatory guide with the BT/Mercury determination of interconnection charges published in December. Earlier, in October, we hosted an Industry Workshop – a first for OFTEL in this area – to discuss a new interconnection regime. This proved very productive and we were also able to listen to operators with experience beyond the UK. The success of this workshop encouraged us to carry on with a continuing series of meetings and workshops with operators.

1.13 One issue that has emerged strongly is the basis of charges for interconnect services. At present we have 'per minute' charges based on BT's tariff structure. So, when BT decides to introduce a weekend tariff, the interconnect charge follows suit. In line with our 'open mind' commitment, we would welcome any contributions and alternative proposals which will facilitate the emergence of a sounder basis for charging and pricing interconnection. There is clearly nothing that has got beyond the concept stage yet, and we have a lot of work to do here in 1994.

## **Numbering**

1.14 Another series of issues on the minds of competing operators is numbering. In a competitive market the allocation of numbers must be fair, and seen to be fair. It is for this reason that OFTEL is taking over the administration of UK numbering from BT and I have put plans into action to achieve this.

1.15 We approach numbering issues with one guiding principle. Numbers are a national resource which should be used for the benefit of customers, rather than operators. That means no branding of numbers by operators. Number portability will have a key role in putting these principles into practice. Why should the customer not keep his number, if he wishes, and take it with him if he chooses to

move to another operator? We made considerable progress towards number portability in 1993. Number portability will do much to overcome inertia and make real choice available for many more customers.

1.16 In December we announced the formation of the Numbering Administration Unit. This unit, set up under OFTEL's former Technical Director, will speed up the solution of technical and commercial aspects of numbering, as well as having responsibility for allocating blocks of numbers to all operators.

1.17 Finally on the numbering side, in 1993 we started looking in detail at directories and directory information. All subscribers need access to comprehensive directory information. For fair and effective competition between operators, all operators must have access on equal terms to the information which they need to provide directory services. No operator should gain unfair advantage through controlling numbering information. We are particularly anxious to take account of consumers' concerns on this issue. We know people are concerned about how third parties might use their directory information and we will want to ensure that there are effective safeguards against misuse of that information.

### **Licensing**

1.18 I was pleased to see the first new public telecommunications operator (PTO) licences in the post 'duopoly' era granted in 1993. Some of these offer real prospects of choice to a wide range of customers – including domestic customers.

1.19 OFTEL dealt with a number of licence compliance cases during the year. When we looked at these we felt that OFTEL must be far more proactive in ensuring licence compliance in future. There are three reasons for this. First, if the present regime can only provide a real sanction after an order by the Director General and the burden of proof is on the Director General, then the earlier investigations start, the better. Second, the knowledge that OFTEL will be more proactive will in itself help solve the problem. Third, customers seem wary of coming forward with cases. In recent years very few investigations have been prompted by customers so OFTEL must fill the void.

### **Services to customers**

1.20 Before I go on to talk about OFTEL's initiatives for customers in general and for specific groups, let me repeat that the best service OFTEL can offer the customer is promoting competition – that is, working through the rather arcane issues of licensing, interconnection and the like. What will that bring customers? A good example in 1993 was competition in the mobile sector. A third mobile operator – Mercury One-2-One – started offering service in September. I found it very interesting that with three operators in the market, there was suddenly a flood of information in the media giving comparable tariffs and helping customers choose the mobile to suit them. The companies dropped prices and ran aggressive marketing campaigns to sell their services to potential customers.

This had the look of a truly competitive marketplace. And the same was happening in towns and cities where cable companies began to market more effectively.

1.21 But these are examples benefitting relatively few customers as yet. In the meantime, OFTEL has obligations to all customers. Here is some of what we achieved in 1993.

1.22 This year the new price control regime started. At a time of low inflation this meant that RPI-7.5% called for real cash price cuts – amounting to over £500m for 1993/94. We particularly welcomed the new weekend rate as it helps the residential customer who has not in the past benefitted from price cuts as much as the business customer. This and the prospect of a simpler tariff structure looked to us like welcome evidence of the efforts BT is now making to listen to the customer.

1.23 Another new tariff we agreed with BT was the Light User Scheme. We believe this is a far better scheme than its predecessors. Many more people will benefit. For those who find it hard to afford the service, the reduced cost of staying on the network if they make few calls will, we hope, tip the balance in favour of the telephone – to the benefit of all network users.

1.24 For some years OFTEL has been urging BT to improve its complaints handling procedures and I formally approved the improved service under the Competition and Service (Utilities) Act 1992 at the end of the year. OFTEL also looked at its own complaints handling and put in place a number of changes designed to give a better service. How well we serve our customers is an important part of judging our success.

1.25 This year we saw a considerable reduction in the number of representations to OFTEL, especially those about disputed accounts. I am confident that to some extent this reflects technology delivering what the customer needs. The increasing availability of services such as itemised billing and call-barring has at last given the customer some control over his or her bill. It seems likely that the downward trend in complaints will continue in future years.

1.26 OFTEL's complaints handling was one of a number of areas looked at by the Committee of Public Accounts following the National Audit Office report published earlier in the year. I appeared before the Committee within a few weeks of arriving at OFTEL. I found the points they raised helpful in formulating my plans for OFTEL and in many respects their views accorded exactly with my own. For example, obtaining comparable data between operators and undertaking market research into the views of customers are both high on my list of priorities too. Many of their recommendations are already in place or well in hand.

## **1994 and beyond**

1.27 In this part of my statement I will highlight some of my plans and ambitions for 1994 and beyond. Some are new initiatives and others are further stages of processes begun in 1993. At the heart of all is our goal of achieving the best possible deal for the customer.

### **Development of competition in 1994**

1.28 I am very much alert to the danger that regulatory procedures themselves may form a barrier to development and innovation. For instance, an area we will be looking at closely in 1994 is the licensing process. The more operators there are, the more licences OFTEL has to monitor, and amend, to cope with change. Technological and other developments may mean similar adjustments are needed in many different licences. At present this is a lengthy – and costly – regulatory process so we will be exploring ways to streamline the procedures.

1.29 Another aspect of reducing regulatory barriers is to remove any unnecessary restrictions on the use of the network. In a market progressing towards full competition, the regime needs to adapt and deregulation must be kept on the agenda.

1.30 In 1994 we will take a further step aimed at speeding up the regulatory process. OFTEL will publish a booklet for our own unique group of clients – the licensees – advising them on how to do business with OFTEL. New entrants may be able to save time and effort when they understand at the outset how OFTEL works. If they know what they can expect from us – and what we expect from them – then we can deliver a better and faster service. We will also be relying on feedback from our clients about our performance and whether they believe we are achieving our objectives.

1.31 I have already referred to the importance I place on the role of interconnection in delivering choice to customers through more competition. We see the way to overcoming the barriers and meeting the four criteria mentioned earlier as a three-stage process. This began with the BT/Mercury determination in December 1993. From this determination an interim list of interconnection charges for conveyance and connection will be drawn up. The list will enable other operators to form their plans and reach agreements with BT without the delays and uncertainties which have been a feature of the past.

1.32 Operators have generally welcomed this approach although we all recognise that there are still some practical difficulties and operational details to be worked out. In addition there are some interconnection services not covered by the BT/Mercury determination.

1.33 The next stage will be to form a new standard list of interconnection services soundly based on transparent cost allocation procedures and backed up

progressively by accounting separation. We will work towards this throughout 1994. These advances are being achieved through a process of consultation and discussion with the industry. I would like to record my thanks to BT and other operators for their willing and constructive participation in carrying the programme forward.

1.34 The new arrangements will go far in meeting our criteria of transparency and non-discrimination. But in addition we shall also be introducing new rules to ensure that when BT changes its retail tariffs as a result of reductions of conveyance charges – whether permanently or for ‘special offers’ – other operators have equal access to the reductions.

1.35 Although most of the attention on interconnection has centred on the key issues surrounding charges, there is a range of other issues important for ensuring a competitive market. I have already discussed two major numbering issues – the ownership of numbers and number portability – and I expect to see real progress on these in 1994. I would like to mention the work of the Network Interfaces Co-ordination Committee (NICC). This is the body with the vital task of reducing technical barriers. Many services such as number portability require co-operation between operators on technical specifications for interfaces. I have asked NICC to draw up a new, more focussed, programme for 1994.

1.36 Overall 1994 will be a year when we actively attack barriers to entry. In addition to issues already discussed we will be reviewing in detail several areas where barriers may exist. These include the resale market, the approval regime and, depending on the outcome of an OFTEL survey, BT’s competitive practices and licence compliance standards.

1.37 I have already mentioned my belief that OFTEL should be more proactive in ensuring that operators comply with the terms of their licences. In 1994 we will put this into practice wherever possible. Checking that cable operators are meeting their build obligations is one example.

1.38 We will also be more proactive in identifying and dealing with anti-competitive behaviour. We will be looking more carefully at price notifications and considering their effect on competition. Competition requirements and undue discrimination provisions in licences will be monitored for compliance. To support this more proactive approach OFTEL will take steps to improve the way it handles complaints from operators who believe other operators are not complying with their licences.

#### **Services to customers in 1994**

1.39 I said at the beginning that we need to test whether we are succeeding in our goal of bringing substantial gains for the customer. One way we intend to do this is by looking at the deal customers get in the USA and France compared with the UK. We have chosen the USA because the market structure is close to the

UK's but there, we believe, the network is better used in the interests of customers. France provides the most advanced services in the European Union but the market structure is very different from the UK. These comparisons will focus on the availability of services to the customer.

1.40 But we will not be reaching our goal if only certain segments of the market benefit from competition. In 1994 we will look at the groups of customers, areas of the country and sets of services where there may continue to be little or no choice. Where new entrants' business plans do not offer any solution we will consider what can be done to improve the market conditions.

1.41 How do we assess the spread of competition? This brings me back to my concern about shortage of information. I have been struck by the lack of high quality information of all types – to the customer and about the customer – in the telecommunications industry. So an important challenge for OFTEL in 1994 is to improve our information base.

1.42 We are looking for more feedback from all customers. We will be boosting our own market research efforts but we will also rely on a personal dialogue with customers, the views of customer groups such as the TMA and TUA, and information gained from the complaints we receive. In this initiative, I see my Advisory Committees playing an important part in focussing on customers and taking up a crusading role where appropriate.

1.43 We are also making progress on information flowing the other way – to customers. An initiative set up with the industry should lead to comparable statistics on key performance indicators for the networks being available from next year. We would like to see this extended to a whole range of comparable statistics so customers can make an informed choice. Another valuable source of information for customers is the codes of practice that operators are required to publish. OFTEL will be reviewing these to see how well BT's code and others work in practice.

1.44 Collecting information is not the whole story. Another important element will be to monitor the effect of OFTEL's individual policies and projects – again with our goal firmly in mind. Only when we have high quality information in all these areas can we press for improvement with confidence.

1.45 As a starting point to looking at how competition is developing, we have begun to consider its impact on six customer groups. We will be refining this segmentation in 1994 but it is worth recording some brief initial thoughts based on research from various sources.

1.46 The first group is large business customers. Our early research suggests that some large customers believe that BT is held back from offering them what they want. These constraints arise in part, they believe, from the regulatory regime. For example, they consider prices are artificially high bearing in mind they are bulk buyers.



1.47 The next group is small and medium sized businesses. This is the group OFTEL has targetted particularly with information on the National Code Change (16 April 1995). We are concerned that we make every effort to minimise inconvenience and expense by urging them to think ahead about adapting their equipment and changing stationery, signs, and so on.

1.48 The third group is the bulk of domestic customers. In 1994 we are hoping to see real progress with the telephone preference scheme to combat unwanted sales calls. Research has shown that this measure would be welcomed by most domestic customers.

1.49 The next group is the 'just affordable'. They have seen some progress in 1993 with the new low user scheme. We will be looking at the question of social obligations in the future – an issue I will return to later on – which may affect many in this group.

1.50 My fifth group is disabled and elderly customers. I have a particular duty to promote the interests of this group. They will benefit from many of our plans for getting a better deal for customers but they still have many concerns. An example is how many profoundly deaf people can, or choose to, use Typetalk.

1.51 It is very difficult to obtain information about my final group – the unphoned. We need to address two questions: do they want to be on the network and what needs to happen for them to join? I am firmly of the view that the value of the network increases for everyone as more people join so this is an area we will be examining closely

### **Laying the foundation for the longer term**

1.52 The prospect of 'video on demand' services which arose during 1993 highlighted an important issue for OFTEL and the regulatory regime – the convergence of telecommunications, information and entertainment. We are currently looking at the likely impact on the industry of multimedia convergence. This work will lead me to take a view on the appropriate scope of business for OFTEL and what regulatory changes would be desirable. We intend to contribute actively to this debate even though certain aspects of it lie beyond OFTEL's jurisdiction.

1.53 OFTEL must also consider another characteristic of the modern telecommunications market – its growing internationalisation. UK operators are increasingly international companies and have important interests around the world. Many of their major customers are multinational businesses. But OFTEL's jurisdiction is the UK. To support UK licensees effectively we must therefore understand their global ambitions and make sure that our policies and decisions dovetail with the international regulatory scene. We cannot achieve this unless we develop a dialogue with licensees on their overseas plans and also with other regulators, such as the FCC in the USA, on their policies.

1.54 Social provision in the UK is an area where the nature of OFTEL's role is less clear. We will begin a review in 1994 of the fundamental questions raised by this issue before we come to a view on what should be done. We will consider the extent to which OFTEL should actively promote social objectives and what level of social provision is desirable. One central question is how social provision, if it is desirable, should be funded. Should it be an obligation on network operators, funded through the network – and so by all telecommunications customers – or should it be funded through general taxation? We have to consider the position of social obligations in an increasingly competitive market and whether their provision might cause a distorting effect. Another point to consider is whether other bodies more directly involved with groups affected, such as elderly and disabled people and those who have difficulty affording a telephone, are better placed to view telephony as a right or at least a basic necessity. This is a complex issue and will need very careful consideration.

1.55 Finally, there are our longer-term plans for interconnection. The consultations so far have raised fundamental questions on the concepts of what are the costs of interconnection services, on the appropriate structures for the charges derived from these costs, and on what are the boundaries of the services to which interconnection and its regulation should apply. OFTEL is approaching these questions with an open mind. We must recognise that we are in a dynamic, fast-moving industry where the effects of technological and market developments bring about constant change. Our aim will continue to be to look for the greatest benefit for customers in securing for them quality, choice and value for money.

1.56 I do not think it right for OFTEL to rush into judgement on these difficult and interwoven issues. I am determined to build further on the consultative arrangements already established and working well. I will make sure I have a good understanding of the diverse interests of the various participants. This programme has already started with discussions on alternative costing and charging concepts which might be applied in the future.

1.57 To conclude I would like to return to a remark I made earlier. The future prospects both for competition and for customers look encouraging. But there is still a long way to go and much work to be done. My team at OFTEL and I are determined that 1994 will be a watershed when increased competition will be much closer to a reality in the market, and will be delivering substantial benefits for many, many more customers.

# CHRONOLOGY OF EVENTS AT OFTEL IN 1993

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## JANUARY

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- ▶ Mrs Jean Gaffin was appointed as Chair of OFTEL's Advisory Committee on Telecommunications for Disabled and Elderly People (DIEL).

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## FEBRUARY

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- ▶ The Director General reached agreement with BT on the future control of BT's private circuit prices. The licence amendment was advertised in September and made in December.
- ▶ OFTEL's annual comparison of the cost of a basket of residential and business telephone services showed BT's position slightly worse for residential prices and better for business prices compared to France, Germany and Italy.
- ▶ OFTEL chaired the first meeting of the National Code Change Forum. Forum members came from operators, and organisations representing users and manufacturers.
- ▶ Following discussion with OFTEL, BABT began incorporating in all new approvals of mobile handsets a condition that alteration of the electronic serial number (ESN) would mean the handset concerned is no longer approved.

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## MARCH

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- ▶ The amendments to BT's licence bringing into effect the new provisions controlling the cost of the basket of BT's main prices, including the RPI-7.5% formula, was signed. An amendment requiring BT to publish details of interconnection agreements also came into force.

- ▶ OFTEL published the first results from the cellular drive-round survey measuring the quality of service, from the customer's viewpoint, on the cellular networks.
- ▶ The National Audit Office published its report on OFTEL.

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## **APRIL**

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- ▶ Don Cruickshank took up his appointment as Director General of Telecommunications.
- ▶ Miss Moira Black was appointed as Chair of the English Advisory Committee on Telecommunications (ENACT).

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## **MAY**

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- ▶ OFTEL published a report on the feasibility study looking into proposals for setting up a specialised agency for handling emergency calls. The study showed the benefits would be marginal.
- ▶ The Director General appeared before the Parliamentary Public Accounts Committee and answered questions relating to the NAO report published in March.

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## **JUNE**

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- ▶ The Director General confirmed that the price changes – reducing some international calls and adjusting various discounts – announced by BT early in June fulfilled its licence obligation.
- ▶ Four new organisations were appointed by the Director General to make or break connection between call routing apparatus and the public networks.
- ▶ OFTEL published a consultative document on interconnection and accounting separation. Under the proposals there would be separate accounts for BT-Network and BT-Retail with BT-Network charging BT-Retail's competitors no more than it transfer charges BT-Retail itself. The overall aim is to give BT's competitors confidence that the price they pay for interconnection is fairly based on the costs incurred by BT.
- ▶ Views on future numbering options were asked for in a consultative document which put forward proposals for using the first digits 2 to 9 after the extra digit 1 has been inserted after the initial zero for all area codes on PhONEday (16 April 1995).
- ▶ Progress was made towards BT and Mercury achieving formal approval for their metering of telephone charges so that customers can have more confidence in the accuracy of their bills. OFTEL published BABT's third report giving details of steps taken.
- ▶ Kingston Communications in Hull was included in the meter approval scheme through an amendment made to its licence.

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**JULY**

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- ▶ OFTEL launched an enquiry into the provision of directory information.
- ▶ OFTEL published a consultative document on the operation of BT's Signatory Affairs Office (SAO).
- ▶ OFTEL completed the modification of the first batch of broadband cable licences to enable operators, among other things, to convey voice telephony in their own right.

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**AUGUST**

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- ▶ The new price control period began on 1 August. Inflation for the year ending June 1993 (the figure for RPI in the formula) was just over 1.2% which meant BT had to reduce its prices for the new control year by 6.36% under the RPI-7.5% formula (allowing for a small adjustment carried over from the previous control year).
- ▶ The Director General announced that he had made a determination after concluding that BT had unduly discriminated in favouring its own business compared to interconnecting operators over the 'Sunday Special' tariff.
- ▶ The first stage of an investigation of complaints about Mercury Personal Communications Ltd (MPCL) was completed. The Director General concluded he would not be justified in making a determination that MPCL had shown undue preference to its direct services business over independent service providers in access to its services and supplies of handsets. He required more information on a further complaint about unfair cross-subsidy of handsets. The new PCN service (Mercury One-2-One) was launched early in September.
- ▶ The cost-benefit analysis on number portability carried out for OFTEL by NERA was circulated to telecommunications operators as required under BT's licence. Recipients were asked for their views on the analysis.
- ▶ The Director General accepted the advice of the 999 Review Group not to proceed with a specialised agency for handling emergency calls. BT and Mercury agreed to offer 999 services to other operators on an agency basis to maintain the high quality of the UK's emergency call service.

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**SEPTEMBER**

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- ▶ OFTEL published a consultative document on calling line identification (CLI). Views were asked for on various aspects of CLI but particularly on the privacy issues raised.
- ▶ The second set of results from the cellular drive-round survey were published showing an improvement in quality of service on both networks.
- ▶ OFTEL published a new booklet – *A Guide to Data Communications*.
- ▶ In Europe, the ACTE (Approvals Committee for Terminal Equipment), in which OFTEL participates, adopted the first two CTRs (Common Technical Regulations) – 5 and 9 on GSM access and GSM telephony.

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## OCTOBER

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- ▶ OFTEL held a workshop – the first of its kind – on interconnection issues. Delegates from 18 different telecommunications operators representing a full cross-section of the industry attended. A summary was published later in the month.
- ▶ The Director General announced the appointment of Dr David Leakey as Chair of the Network Interfaces Co-ordination Committee and emphasised the importance of the Committee's work in breaking down technical barriers to competition.
- ▶ OFTEL hosted a press conference to highlight the preparations customers need to make for the National Code Change (NCC) on PhONEday (16 April 1995). Three new booklets were published and widely distributed to help, at this stage, business customers.
- ▶ The Director General announced that the cellular drive-round survey would be discontinued after the third survey principally due to Vodafone's unwillingness to contribute towards a cost over-run. The third – and final – set were published at the beginning of December.
- ▶ The Director General visited the European Commission in Brussels where he met the Director General in charge of DGXIII (Telecommunications, Information Industries and Innovation) and DGIV (Competition).

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## NOVEMBER

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- ▶ The Director General noted BT's price changes introduced on 1 November. Together with reductions to multi-line connection charges announced earlier, these represented an average decrease of 2.03% in the basket, leaving BT with cuts averaging over 4% to make in this control year.
- ▶ Peter Walker was appointed as OFTEL's new Technical Director with effect from 1 January 1994.
- ▶ Don Cruickshank and three senior OFTEL staff went to the USA. They visited the FCC, other official bodies and telecommunications operators.
- ▶ The Director General spoke at the Telecommunications Managers' Association Conference. His message was one of real competition with telecommunications companies offering a choice of services that customers want.
- ▶ The cost-benefit study of equal access carried out for OFTEL by KPMG was circulated to telecommunications operators and others. Views were sought on the methodology proposed.

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## DECEMBER

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- ▶ Plans were announced for setting up a Numbering Administration Unit within OFTEL to take on responsibility for the UK Numbering Scheme when this passes to OFTEL in 1994.

- ▶ OFTEL published the BT/Mercury determination. The determination covered the rates Mercury pays BT for the conveyance of calls and for connections. For the first time, it also set out the level of access deficit contributions payable by Mercury and other operators, and the Director General's decisions on access deficit contribution waivers for Mercury. Later in the month Mercury started legal proceedings but OFTEL believes the determination complied with the conditions of BT's licence.
- ▶ The Director General set out OFTEL's policy on various current issues such as 'video on demand', interconnection, numbering and 'asymmetry' at the Financial Times Conference on World Telecommunications.
- ▶ OFTEL held a meeting on interconnection issues which focussed on the relationship between costs and interconnection charges.
- ▶ The Director General modified BT's licence to include the new price control rule for BT's private circuits.
- ▶ The designated standard for meter systems was revised to make it possible to apply it to any public network.
- ▶ The third – and final – set of results from the cellular drive-round survey were published. They were very similar to the second set.
- ▶ The Director General determined that neither PCN operator – Mercury One-2-One and Hutchison Microtel – should pay access deficit contributions (ADC) to BT.
- ▶ The Director General reached agreement with BT on its new Light User Scheme aimed at helping customers who make very few calls and those who find it difficult to afford telephone service.
- ▶ The Director General approved BT's complaint handling procedures as part of the Citizen's Charter legislation.
- ▶ The ACTE adopted three more Common Technical Regulations (CTRs) covering Digital European Cordless Telecommunications (DECT) and some aspects of leased lines.

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## **PART TWO**

# **OFTEL'S ACTIVITIES**

## **TOWARDS MORE COMPETITION**

### **Interconnection and accounting separation**

2.1 The terms and conditions under which other operators are able to interconnect with BT's network are central to the further development of competition in the UK telecommunications market. Through more competition OFTEL aims to deliver its key policy objective of the best possible deal for the end user in terms of quality, choice and value for money.

2.2 New operators must be able to offer their services quickly and confidently. They must be allowed to develop the services under conditions of equal opportunity between themselves and in competition with BT's retail services. OFTEL therefore took a number of steps in 1993 to increase the transparency of the present system and to streamline procedures. Through a process of public consultation with interested parties, OFTEL began to develop changes to the system which provide a yet greater level of assurance that the terms and conditions of interconnection (both price and non-price) are fair and applied without undue discrimination.

### **Increased information**

2.3 In March 1993, BT's licence was amended to require it to publish either full interconnection agreements or a description which would enable a third party to calculate the charges contained in the agreement. This licence change complements OFTEL's own commitment – given by the then Director General in his June 1992 statement – *Policy on Separation and Interconnection* – to publish with the terms of its interconnection determinations the reasoning behind them. This

commitment was put into effect with the publication in December of the BT/Mercury determination (see paragraphs 2.16–2.21). These two measures enhance the transparency of interconnection arrangements. They enable operators, for the first time, to understand what arrangements other operators have reached and how OFTEL has reached its determination decisions.

2.4 OFTEL believes however that further changes are needed to establish the confidence necessary for an interconnection regime that will best serve the interests of competition in the multi-operator telecommunications market now rapidly developing.

### Public consultation

2.5 In June 1993, OFTEL published a consultative document – *Interconnection and Accounting Separation*. The document set out four fundamental criteria, essential for interconnection agreements:

- Arrangements should be transparent in the sense that charges should be published and operators should understand how charges are derived from costs
- Charges should be efficient and sustainable
- Arrangements should not be unduly discriminatory either between competing operators or between BT and other operators
- Sufficient information should be available to give operators confidence in the arrangements reached.

2.6 OFTEL proposed that these criteria could best be met by the production, for these accounting purposes, of separate accounts for BT's Retail, Network, and Access activities. The costs of network elements which operators wish to purchase and the charges paid for them would be shown in the Network account backed by a transparent cost allocation process. This would enable operators to be confident that the charges they pay for network elements are based on the relevant costs incurred by BT in providing them. The network account would show that BT's retail operations were paying, without undue discrimination, charges for the use of the network raised on the same basis. OFTEL intends that the new interconnect arrangements will allow more streamlined negotiations between BT and operators in reaching agreements, with the minimum need for them to seek determinations from OFTEL.

2.7 OFTEL received 56 responses to the consultative document. They encompassed a wide range of views. All welcomed OFTEL's intention to provide greater transparency in the processes which fix interconnection charges and to find ways of demonstrating that they are applied without undue discrimination. Some advocated the development of a standard list of interconnect prices.

2.8 To follow up these views, OFTEL developed an extensive series of further discussions with interested parties to consider, in particular, how transparency in the cost allocation system can be demonstrated and a standard list be designed.

### **Transparency in relating costs to interconnect charges**

2.9 On 11 October 1993, the Director General hosted an industry workshop to focus primarily on the issue of transparency in cost allocation and to develop discussion on the content and design of standard price lists. BT agreed it should provide further information on its systems to demonstrate the way relevant costs feed into charges.

2.10 BT presented this information at a meeting called by OFTEL on 6 December with a selected group of other operators. The other operators, whilst appreciating the information on costs, nevertheless considered that the restricted range of interconnection services into which the costs are grouped was not sufficiently broken down to match their perceived needs. They wished to choose from different 'bundles' of discrete network components which would be available to them as separately tariffed items.

2.11 For the remainder of 1993, and into 1994, work has gone forward, through OFTEL's mediation, to reconcile operators' and BT's requirements in a series of meetings and discussions. This allowed the Director General to announce that he expected, in spring 1994, to fix a standard list of interconnect services that operators would be able to purchase and to set a target for the list to become operational in early 1995.

2.12 In the course of these discussions, BT emphasised the practical impact of designing changes to their systems to provide for a wider range of interconnection services. OFTEL is holding discussions with BT to work out the implications for these systems of the target for introducing the standard list.

### **Accounting separation**

2.13 The implementation of OFTEL's proposals on accounting separation is vital to ensuring confidence in standard interconnection charges. Separate accounts, produced for this purpose and to auditable standards, provide the ultimate guarantee that the costs defined by the allocation process are correctly derived and have been correctly applied – and that the resulting charges are raised without undue discrimination from all operators and from BT's own retail operations.

2.14 During 1993, OFTEL was in discussion with BT about the practical details of accounting separation and the timescale over which it can be implemented. OFTEL has accepted that it will not be possible to achieve full separation, to auditable standards, for the financial year 1993/94 but progress has been made towards producing some separated accounts for that period.

2.15 OFTEL has developed an extensive work programme to carry forward the many elements required to make sure that a new standard list can be implemented by early 1995, based on transparent cost allocation and backed by accounting separation. Central to this programme is continuing consultation and discussion with all in the industry.

## Interconnect determinations

2.16 On 2 December 1993 the Director General issued a major determination in respect of the interconnection charges and access deficit contribution (ADC) to be paid by Mercury to BT.

2.17 The determination had been eagerly awaited by the telecommunications industry as a bench mark for future interconnect pricing. Because of its general importance and because this was the first time that the Director General had exercised his discretionary powers to waive ADCs, the determination was the first to be published with an explanatory document (see paragraph 2.3).

2.18 The document described how decisions on conveyance and connection charges, ADC payments and waiver of ADC had been reached. The intention was to enable other operators to understand how the Director General had come to his decisions, how he might approach any similar decision, and his policy on ADC waiver.

2.19 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 significantly above costs. Although the balance of tariffs is shifting to reflect costs more closely, the price control rules limit the speed of this change. Until the balance is reached, BT is therefore vulnerable to unfair competition for higher volume customers from operators with similar cost structures to its own but whose tariffs are not regulated. BT's licence therefore makes provision for operators connecting with its network to pay BT an ADC. The ADC is intended to protect BT against unfair exploitation of the effect of the price controls.

2.20 However, 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.

2.21 The Director General determined that Mercury should not pay any ADC in respect of its first 10% of both the market in international calls and the market in national calls. The waivers will be reviewed with effect from April 1994 and April 1995 respectively.

2.22 There are special provisions in BT's licence relating to cellular (including PCN) operators. They give the Director General power to waive all, or part, of a cellular operator's liability to pay an ADC to BT if the cost structure of that operator is such that it cannot take unfair commercial advantage of the restrictions on BT's ability to eliminate its access deficit.

2.23 The Director General gave careful consideration to information given to him in confidence by the two PCN (personal communication network) operators - Mercury One-2-One and Hutchison Microtel. This showed that the cost

structure of both operators is very different from that of BT in that costs vary substantially with usage. The Director General concluded that neither operator is able, at present cost levels, to exploit the constraints on BT in an unfair manner – in particular, by targetting the high volume customers who make the greatest contribution to covering BT's access deficit.

2.24 The Director General subsequently exercised his discretionary powers and on 16 December 1993 he determined that neither Mercury One-2-One nor Hutchison Microtel should be liable to pay any ADC to BT.

2.25 During the year the Director General determined the terms and conditions contained in the review clauses of 43 interconnect agreements between BT and other operators (mostly cable). This process is important to new operators who need to be confident that they can enter service on a planned date. It allows agreements to be signed with other terms and conditions, particularly those relating to pricing, accepted on an interim basis. These terms and conditions can then be the subject of further negotiation under the review clause with the option, if agreement cannot be reached, of referring them to the Director General for determination.

### **Network Interfaces Co-ordination Committee (NICC)**

2.26 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 essential interfaces could be defined and prevent technical barriers to the interconnection of networks. During 1993, members of the main committee were appointed by the Director General and Dr David Leakey was elected independent chairman. When announcing the appointments, the Director General took the opportunity to emphasise the importance of NICC's work in promoting the introduction of competitive services.

2.27 The Committee has studied a wide range of issues, especially concentrating on the requirements of new and enhanced services such as calling line identity presentation (see also paragraphs 2.153–2.155). A wide range of Interest Groups and Task Groups have been formed to focus expertise on particular issues. The existing collaboration between the public network operators on interconnect signalling has also been brought under NICC's structure. The Committee has been considering its forward work programme and working methods. When the former are submitted to the Director General he intends to consult widely throughout the industry to gain support for NICC's work.

## **Equal access**

2.28 'Equal access' refers to the ability of subscribers to access the long distance operators of their choice. This is becoming increasingly important as more operators enter the UK telecommunications market. However, before equal access can be provided on the BT network the Director General has to give a direction to BT to provide the facilities. The direction has to be based on a positive outcome of a cost-benefit study of the provision of equal access. To this end, in November the Director General published a consultative document which set out a cost-benefit methodology and sought comments. Responses to the study were requested by mid-February 1994. The next step will be to proceed with a full cost-benefit study taking account of the comments received.

## **Numbering issues**

### **The National Code Change**

2.29 During the year OFTEL was involved in various activities related to the implementation of the National Code Change, which takes place on PhONEday – 16 April 1995. The main change involves the addition of the digit '1' after the initial digit '0' in all area codes.

2.30 In February OFTEL chaired the first meeting of the National Code Change Forum which comprises operators and organisations representing operators, manufacturers and users. The aim of the Forum was to facilitate discussion between the major players in the industry on the implementation of the code change. Three meetings of the Forum were held during the year. Two working groups were set up as a result of the Forum – one, chaired by OFTEL, on customer premises equipment (CPE) and the other, chaired by BT, brought together the network operators to establish an appropriate level of co-ordination of their plans for network testing and modification.

2.31 Alongside the publicity campaigns being run by the network operators, OFTEL contacted all approved maintainers and holders of payphone approvals, as well as bodies known to represent payphone owners, to alert them to the code change and the need for modifications to CPE.

2.32 In October the Director General hosted an industry-wide press conference to highlight the preparations business customers need to make for the National Code Change. The Director General emphasised the important part everyone in the industry had to play in getting accurate and timely advice to users. Operators, apparatus suppliers and maintainers need to guide their customers through the change. User associations and other representative bodies must ensure that their interest groups receive the best advice. Speakers at the conference drew attention to the importance of publicising two key dates – June 1994, when operators will begin to implement the new codes in their networks,

and August 1994, when the new codes will begin to run in parallel with the existing codes.

2.33 At the conference OFTEL launched three booklets (see Figure 1) on the National Code Change, produced in collaboration with the industry, to help publicise the need for businesses to take action well before PhONEday:

- *A Day to Renumber* giving details of the changes taking place leading up to and on PHONEday, and advising how businesses should plan for them.
- *Presenting Your Number* showing how to print telephone numbers on stationery before and after PHONEday.
- *PhONEday – Equipment Guide* explaining how different types of telecommunications apparatus may be affected by the National Code Change.

OFTEL set up a dedicated telephone number – the Leaflet Line - to distribute the booklets. Copies were circulated to MPs, main libraries and Chambers of Commerce. By the end of the year over 220,000 copies had been issued.



**Figure 1** OFTEL leaflets for PhONEday

## The UK Numbering Scheme

2.34 In June OFTEL issued a consultative document *Numbering: Choices for the Future* setting out its proposals for a numbering scheme to serve the UK into the 21st century and beyond. In the document OFTEL made proposals for the future structure and allocation of new codes using the additional capacity created by the National Code Change.

2.35 For non-geographic services, OFTEL proposed the expansion in the length of numbers from 9 to 10 digits (excluding the initial '0'). It also recommended distinct numbering ranges for different categories of non-geographic services so that the caller is provided with a clearer indication of the type of service called and therefore, to some extent, the likely tariff.

2.36 The proposals were to place all mobile services – cellular, PCN and radiopaging – behind leading digit '03' and specifically tariffed services – including freephone and premium-rate – behind leading digit '08'. A separate numbering range, beginning '07', was recommended for personal numbering services which offer customers the facility to be contacted through a single number wherever they are. The document also set out a series of options for an additional geographic scheme behind the leading digit '02'. Under the proposals four numbering ranges were set aside for future developments to ensure that the scheme will be sufficiently flexible to meet customers' changing needs and advances in technology.

2.37 OFTEL's proposals can be summarised as follows:

- 01 current geographic public fixed network; some paging services
- 02 new geographic services
- 03 mobile services: cellular, PCN, radiopaging
- 04 unallocated
- 05 unallocated
- 06 unallocated
- 07 personal numbering
- 08 specially tariffed services: premium rate, national calls charged at local rate, freephone
- 09 unallocated
- 00 international access

## Numbering Administration

2.38 During the course of the year progress was made towards OFTEL taking over the management of the UK Numbering Scheme. In the summer the Telecommunications Numbering and Addressing Body completed its comments on the draft Numbering Conventions submitted by OFTEL in 1992. The Conventions are a set of principles and rules on the allocation of numbers from the UK Numbering Scheme and their publication will enable the Director General to take over responsibility for the allocation of nationally significant



codes and blocks of numbers to operators. At the end of the year the drafting of the Conventions was continuing with formal consultation, as required by operators' licences, and publication is expected in the first half of 1994.

2.39 In December, the Director General announced plans for the setting up of a Numbering Administration Unit, headed by Arthur Orbell – OFTEL's retiring Technical Director – as UK Numbering Scheme Manager. The Unit will become operational in January 1994.

### **Number portability**

2.40 During 1993 OFTEL carried out a study of the costs and benefits associated with the introduction of number portability – the facility for customers to keep their own telephone numbers when they change operators. Under BT's licence the Director General is required to carry out a cost-benefit analysis before he can direct BT to provide number portability. The analysis was undertaken on behalf of OFTEL by National Economic Research Associates. After a period of consultation with operators, it was completed in December.

2.41 The analysis showed that the benefits to customers from portability outweighed the costs of introducing it. It found that portability would not only benefit subscribers who transfer to a new operator, but would bring benefits to all customers, by helping to promote competition and greater efficiency among operators.

2.42 The Director General concluded that there was a strong and robust case for the introduction of portability. He was therefore ready to consider directing BT to provide portability where other operators were prepared to reciprocate by providing portability to any of their customers who wished to transfer to BT. The speed with which portability will be available to customers will depend in part on the speed with which operators are able to make the necessary technical arrangements. To assist them in this work, the Network Interfaces Co-ordination Committee (see paragraphs 2.26 and 2.27) is co-ordinating further technical work. In addition OFTEL will be considering ways of simplifying the formal procedures set out in operators' licences for the introduction of portability.

### **The provision of directory enquiry services**

2.43 In July, following a number of representations concerning the current arrangements for directory information services, the Director General launched an enquiry into the provision of directory enquiry services and related matters. Issues to be covered by the enquiry included:

- the terms and conditions on which BT provides access to its number information database;
- arrangements for inputting subscriber details onto the database; and
- the use to which data can be put.

2.44 The initial announcement of the enquiry prompted responses from a range of interested parties, including user representatives, operators, and others with an interest in providing various directory related products and services. OFTEL also commissioned some research into the wishes and concerns of residential customers, whose views had not been widely represented in the initial responses to the enquiry.

2.45 The consumer research suggested that consumers do not want their directory information used for purposes other than for the provision of directory enquiry services, production of printed directories, and other closely related activities. There was strong opposition to the information being made available in any form in which it was more easily manipulated or which enabled other people to obtain telephone numbers without already having the subscriber's name and address. For example, many consumers were opposed to the production of reverse directories or the wholesale supply of information to telesales organisations.

2.46 The responses from public network operators and others with an interest in providing directory enquiry services centred mainly on concerns about aspects of equality of access to the database, both for inputting and for accessing information.

2.47 Towards the end of the year, OFTEL was in the process of inviting interested parties (consumer representatives, operators, other directory providers) to attend a workshop early in 1994 to discuss the issues and problems which OFTEL had identified from the representations received and from consumer research, and to discuss the way ahead.

### **BT's 'special offers'**

2.48 OFTEL investigated complaints from competitors about BT's 'Sunday Special' offer. The conclusion reached was that the terms of the 'Sunday Special' offer to retail customers included charges which did not cover the costs attributable to the running of BT's network when those costs were assessed on the same basis as that used for setting charges for network usage by competitors. Therefore, in making the 'Sunday Special' offer without making corresponding reductions in charges to competitors, BT unfairly favoured its own business to a material extent so as to place other operators at a significant competitive disadvantage. This amounted to undue discrimination against those operators in contravention of Condition 17.2 of BT's licence. The Director General made a determination to that effect, on 2 August 1993, under the provisions of Condition 17.3 of the licence.

2.49 Since then, OFTEL has been discussing with BT proposals for clear rules designed to prevent such undue discrimination against competing operators arising in the future. OFTEL's main objective is as follows:

- Before introducing a new tariff (whether or not it is a 'special offer') BT should provide an analysis of the costs underlying that tariff.
- If the proposed price fails to cover the sum of network costs, BT should make its network available to competing operators on the same discounted basis.

OFTEL intends to publish a consultative document, inviting comments on the proposals, early in 1994.

## **Other competition issues**

### **Survey of competitive practices**

2.50 Ensuring fair competition in a multi-operator environment will become increasingly important as new licensees begin offering services. The first stage in addressing this issue is to develop a picture of competitive practices. An independent study of such practices was launched towards the end of the year. It will examine the impact of new competition on business and domestic customers and their perceptions of the way in which they are treated by existing and new operators. The results of the survey will be available in spring 1994 and the information will help the Director General make decisions in this area.

### **'Tied' mobile service providers and Mercury One-2-One complaints**

2.51 In the mobile sector investigation continued into the complaint made in 1992 by Talkland International Ltd, an independent service provider retailing airtime on the cellular networks, concerning alleged unfair cross-subsidy of, and undue preference to, the 'tied' service providers owned by companies or groups operating such networks. In addition a new complaint was received in June 1993 from certain other independent service providers concerning the direct retailing activities of Mercury Personal Communications Ltd (MPCL – trading under the brand name 'Mercury One-2-One'). Because of the similarities of the issues raised by these various representations the Director General decided that it would be appropriate to conduct these investigations in parallel.

2.52 The Director General announced on 19 August 1993 that he had concluded the first stage of the investigation concerning MPCL. His first conclusion was that he would not be justified in making a determination that MPCL had shown (and continued to show) undue preference towards its direct services business (DSB) over independent service providers, or in taking other regulatory action, with respect to the following alleged contraventions of MPCL's licence:

- that MPCL had given the DSB preferential access to information on its launch plans, systems details, technical interfaces and proposed contractual terms;

- that MPCL had secured for itself preferential supplies of handsets (with certain proprietary features), which it was refusing to make available to others, and had failed to take steps to ensure that alternative supplies of PCN handsets were available to independent service providers in time for the launch of the Mercury One-2-One service.

2.53 The Director General stressed to the parties that he took seriously the obligations in MPCL's licence to provide services to service providers for resale and to do so in such a way that independent service providers were not put at a significant competitive disadvantage to MPCL's DSB. He said although he had not found the allegations of undue preference to be substantiated he wanted to be assured that MPCL was taking all reasonable steps to facilitate the early accreditation of those service providers who wished to offer service on its network, and was asking his staff to discuss this further with MPCL. He expected to see a variety of companies actively retailing MPCL's airtime reasonably soon after the full public launch.

2.54 On a further allegation concerning possible unfair cross-subsidy of PCN handsets Don Cruickshank said he required further information from MPCL before he could reach a conclusion. This allegation was that MPCL was planning to subsidise by a substantial amount sales of its PCN handsets to the public by the DSB. It was alleged that having regard to the likely margins offered by MPCL on airtime this must constitute an unfair cross-subsidy in contravention of MPCL's licence, since it would be impossible for the DSB to trade profitably.

2.55 Investigation of the Talkland representations, and of the remaining representations concerning MPCL, was still continuing at the end of 1993.

### **Connection to non-served premises**

2.56 During 1993 OFTEL received representations from three companies about the problems they were facing when requesting BT to provide lines to non-served premises, including public payphones. The complaints centred on delays in getting BT to agree to connect lines, the level of charges to be levied, and the suggestion that BT might be showing preferential treatment to its own public payphone business.

2.57 Non-served premises are not defined by BT's licence but are likely to include sites such as lamp posts, public payphones and roadside emergency telephones. These constitute sites falling outside the licence definition of served premises. The latter are defined in Annex A of BT's licence as:

“a single set of premises in single occupation where apparatus has been installed for the purposes of the provision of telecommunication services by means of the System at those premises”.

BT is only obliged by the terms of its licence to provide service to served premises.

2.58 For connection of lines to served premises BT charges published tariff rates which are normally £99 per line to residential and business customers and £170.93 to wholesale customers (prices exclude VAT). BT argues that it is not obliged to provide services to non-served premises but it is prepared to do so on a sound commercial basis.

2.59 In 1993 BT carried out a generic review of the charges for exchange line provision to non-served premises and concluded that such charges should be on an individual cost plus basis. BT said that a delay in implementing the new arrangements occurred because a new customer order process had to be set in place to handle the large number of requests being received for service to non-served premises. However, trials were expected to take place in London early in 1994 and national implementation of the new arrangements would take place in April 1994.

2.60 The methodology used in assessing the charges for line connection was given to OFTEL, and at the end of the year OFTEL was carrying out enquiries to satisfy itself that the charges were reasonable and that there was no question of BT's own public payphone service receiving preferential treatment. Progress in implementing the new arrangements was also being kept under close review.

### **BT's Option 2000**

2.61 BT's Option 2000 tariff offers discounts on calls to customers with a number of different sites. As discussed in *OFTEL Annual Report 1992*, the Director General concluded in 1992 that BT's original proposals were significantly anti-competitive (through BT's unique position of having full geographical coverage in the UK) and also discriminated between sites according to whether or not they were part of a multi-site organisation.

2.62 BT agreed to modify Option 2000, principally by introducing a site option charge in addition to the proposed customer option charge. BT also undertook to agree the tariff rules with OFTEL in order to ensure that any residual discriminatory or anti-competitive effects were eliminated. OFTEL undertook to monitor closely the impact of Option 2000 to make certain that there were no unforeseen undesirable effects.

2.63 OFTEL continued to monitor the situation in 1993 and entered into detailed discussions with BT over the exact content of the rules. Careful consideration has been given to the information provided by BT as a result of its marketing of Option 2000. OFTEL has accepted that some modification of the rules is necessary in the light of experience gained from the operation of the scheme. At the end of the year OFTEL was awaiting BT's response to its proposed modifications.

### **BT's apparatus supply business**

2.64 In December 1991 the Director General issued a direction under Condition 18 of BT's licence requiring BT to remove the unfair cross-subsidisation of its apparatus supply business (see *OFTEL Annual Report 1991*).

2.65 Since 1991 OFTEL has been monitoring BT's compliance with the direction. BT has provided a budget covering the five year period of the direction (that is until the financial year 1996/97) as well as the quarterly budgets required to date. These have been examined closely for accuracy and completeness. BT has also provided its results by quarter and annually as required by the direction and these too have been analysed by OFTEL. Based on all this information, OFTEL has formed the view that BT would appear to be on target to remove its cross-subsidy by the end of the period of the direction. OFTEL hopes to be in a position to agree a revised budget for the remainder of the period by May 1994.

## **LICENCES – NEW AND OLD**

### **New operators' licences**

2.66 Once again OFTEL was heavily involved throughout the year in providing advice to the DTI on the granting of new licences. By the end of the year a total of 73 applications for licences had been received by the DTI since the Government announced, in early 1991, the ending of the so-called 'duopoly policy'. Thirty new licences had been granted, and 17 of those were granted in 1993. The first new public telecommunications operator (PTO) licences were granted in 1993 to the following companies:

- **Ionica L3 Ltd** (2 April) for national telephone service based on fixed wireless communications
- **City of London Telecommunications Ltd (COLT)** (30 April) for telecommunications network in the London area
- **Energis Communications Ltd** (24 May) for a high-capacity fixed-link digital network
- **Scottish Hydro-Electric plc** (24 May) for an optical fibre and radio trunk network, based on existing links in the north of Scotland
- **MFS Communications Ltd** (24 September) for switched services initially in the Greater London area
- **Scottish Power Telecommunications Ltd** (24 September) for an optical fibre trunk network in central and southern Scotland
- **Torch Communications Ltd** (24 September) for an optical fibre and radio network for digital telecommunications initially in the Yorkshire/Humberside area.

2.67 A new PTO licence was also granted to Vodafone Ltd on 9 December to enable the company to provide fixed as well as mobile services and to deal directly with end users as well as through service providers.

2.68 Twelve more applications for PTO licences were under consideration at the end of the year.

### **International simple resale licences**

2.69 During 1993 the Secretary of State for Trade and Industry issued licences to Worldcom International Inc and to Esprit Telecom of the United Kingdom Ltd authorising them to provide international simple voice and data resale between the UK and Australia, Canada and Sweden.

2.70 International simple voice resale services (ISVRS) and international simple data resale services (ISDRS) are only permitted between the UK and countries offering equivalent freedom to providers of such services from the other end. The Secretary of State for Trade and Industry designated Australia, Canada and Sweden as equivalent for the purposes of ISVRS and ISDRS in 1992. He designated all European Community Member States in 1992, and Austria, Finland, Gibraltar, Iceland, Norway and Sweden at the end of 1993, as being countries to which ISDRS only could be provided under the terms of the TSL's Service Authorisation (see paragraph 2.121). ISVRS and ISDRS to Australia and Canada, and ISVRS to Sweden, require individual licensing from the DTI.

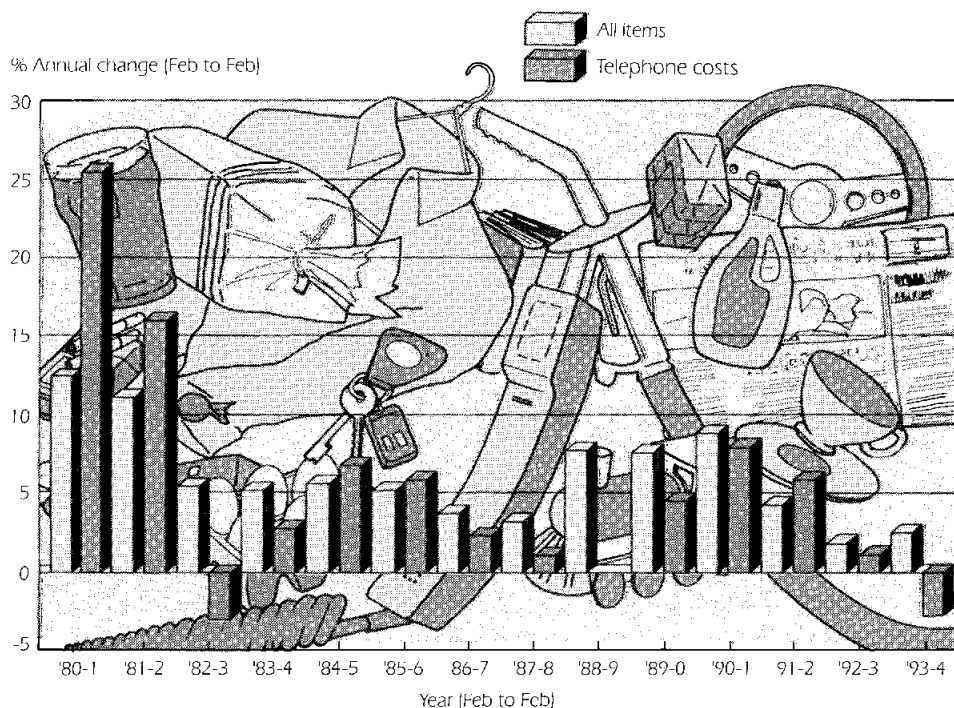
### **BT's prices**

#### **Licence modifications - main services**

2.71 At the end of 1992 OFTEL was in the final stages of discussions with BT about proposed modifications to the Conditions of its licence (see *OFTEL Annual Report 1992*). The principal element of the proposals was a new main price control rule to replace the one due to expire in July 1993.

2.72 On 9 March 1993, after receiving BT's consent to the proposals, the Director General made the modifications to BT's licence. The new main price control rule, covering the period 1 August 1993 to 31 July 1997, limits the rate of increase of the prices of 'the basket' of BT's main switched services to RPI-7.5. It applies to the basket of prices covered by the previous price control rule plus connection charges but excluding any new quantity discounts and alternative tariffs. In addition to this aggregate control, there is a limit of RPI on all individual prices within the basket except exchange line rentals, for which the limits are RPI+2 for ordinary exchange lines and RPI+5 on wholesale lines.

2.73 In December 1993 revised guidelines for the residential low user scheme were agreed between OFTEL and BT, in accordance with Condition 24D of the



**Figure 2** Annual percentage change in the Retail Prices Index for all items and the telephone costs components (BT) in the UK (February to February up to 1992/93, January to January for 1993/94)

licence. Details of the new Light User Scheme are given in paragraphs 2.156 to 2.158.

### **BT's price changes during 1993**

2.74 In January BT increased both residential and business exchange line rentals by 5.9% and rentals for wholesale lines by 8.8%. These complied with the individual price caps for exchange line rentals of RPI+2 and RPI+5 (for wholesale lines). BT then introduced additional optional tariff packages and improved the terms of its existing options and of its automatic discounts on the standard unit fee for higher volume business and residential users.

2.75 In June, BT reduced by around 5%–10% its charges for international calls to EU countries, Canada and the US. It also announced extensions to its discounts on the standard unit fee.

2.76 The price changes in January and June had the net effect of reducing BT's prices by 0.87% in the price control year which started on 1 August 1992. This was a slightly smaller reduction than BT was required to make under the price control rule which came into effect on 1 August 1991 and which limited the



**Table 2.1** Summary of BT price changes controlled by Conditions 24, 24A and 24C 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/ Dec'93
	%	%	%	%	%	%	%	%	%	%
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
RPI minus X <sup>1</sup>	+2.1	+4.0	-0.5	+1.2	+1.6	+3.8	+5.3	-0.4	-2.4	-6.3
Permitted increase <sup>2</sup>	+2.1	+4.1	-0.1	+1.3	+2.8	+3.8	+5.5	-0.2	-1.0	-6.4 <sup>3</sup>
Changes in price of exchange line rental: <sup>4</sup>										
domestic	+7.1	+8.5	+3.7	0.0	0.0	+10.0	+11.6	+7.8	+5.9	0.0
business	+6.8	+8.8	+3.9	0.0	0.0	+10.1	+11.8	+7.7	+5.9	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
business	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-24.6
Change in the effective price of:										
Local calls										
peak	+6.8	+6.4	+18.9	0.0	0.0	0.0	-4.5	+3.5	0.0	0.0
standard	+6.8	+6.4	+6.4	0.0	0.0	+4.3	-4.5	+4.7	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
National 'a' <sup>5</sup>										
peak	+6.8	+6.4	+1.6	0.0	0.0	0.0	-8.8	0.0	0.0	-0.2
standard	+6.8	+18.3	+1.1	0.0	0.0	0.0	-9.0	0.0	0.0	-0.2
cheap	+23.1	+6.4	+2.7	0.0	0.0	+3.6	+6.0	+4.9	0.0	-0.2
weekend cheap <sup>6</sup>	-	-	-	-	-	-	-	-	-	-9.1
National 'b1' <sup>7</sup>										
peak	-10.3	-14.0	-12.0	0.0	0.0	0.0	-9.9	0.0	0.0	0.0
standard	-10.2	-13.8	-12.0	0.0	0.0	0.0	-10.0	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
weekend cheap <sup>6</sup>	-	-	-	-	-	-	-	-	-	-41.1
National 'b' <sup>5,7</sup>										
peak	-14.0	-6.2	-16.0	0.0	0.0	0.0	-10.2	0.0	0.0	0.0
standard	-13.9	-4.9	-17.0	0.0	0.0	0.0	-10.1	0.0	0.0	0.0
cheap	+6.8	+6.4	-6.2	0.0	0.0	0.0	+7.0	+4.9	0.0	0.0
weekend cheap <sup>6</sup>	-	-	-	-	-	-	-	-	-	-55.2
International calls	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-9.6	-4.7	-0.9 <sup>8</sup>
Weighted average	+2.0	+3.7	-0.3	0.0	0.0	+3.5 <sup>8</sup>	+5.3	+2.1	+1.0	-2.2
Overall weighted average <sup>9</sup>	+2.0	+3.7	-0.3	0.0	0.0	+3.5	+5.3	-0.7	-0.9	-2.2

**Notes:** <sup>1</sup> 1984-1989, RPI-3; 1989-1991, RPI-4.5; 1991-1993, RPI-6.25; from 1 August 1993, RPI-7.5.  
<sup>2</sup> After allowing for carry-over of unused allowances from previous years.  
<sup>3</sup> Taking into account a small adjustment from the previous year.  
<sup>4</sup> Exchange line with a basic telephone instrument in November 1984; exchange line excluding telephone instrument thereafter.  
<sup>5</sup> Although announced in December 1993, changes to local call areas and to some types of international calls did not come into effect until 1994.  
<sup>6</sup> On 4 December 1993 BT introduced its new national weekend call rate.  
<sup>7</sup> In 1986, and again in 1989, routes were transferred from 'b' to 'b1'. Allowances were made for this in computing the weighted average.  
<sup>8</sup> Includes allowance for reduction in the number of concessionary days.  
<sup>9</sup> 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

**Table 2.2** Summary of BT private circuit price changes controlled by Conditions 24A and 24B of its licence

	1989/90	1990/91	1991/92	1992/93	Dec 1993/ Jan 1994
	%	%	%	%	%
Change in RPI in base period	11.3*	9.8	5.8	3.9	1.2
Permitted increases†	11.3	9.8	7.8	4.3	1.2‡
Change in the price of private circuits:					
National digital					
Megastream					
connection	2.9	-2.4	-15.7	-5.9	-15.9
rental	21.7	-3.7	-0.1	-4.4§	-2.0
Kilostream					
connection	0.0	9.3	9.8	0.0	0.0
rental	0.0	-0.9	-1.7	0.0	0.0
National digital total	n/a	-1.6	-1.6	-2.1	-1.4
National analogue					
Analogue					
connection	13.8	14.7	28.1	3.9	2.5
rental	11.9	11.1	10.6	3.8	1.1
National analogue total	n/a	11.6	12.9	3.8	1.2
International analogue	n/a	n/a	2.0	6.0	2.2
International digital	n/a	n/a	-1.1	0.0	-14.4
International total	n/a	n/a	0.5	2.4	-9.2
Weighted average	11.3	7.8	7.4	1.8§	-0.9
<b>Notes:</b>					
* The price constraint for the first year was the increase in RPI over 16 months					
† After allowing for carry-over of unused allowances from previous years					
‡ Since August 1993, there are three separate private circuit baskets each with overall price rises limited to a maximum increase of RPI					
§ Revised figures.					
n/a Not available					
<b>Source:</b> OFTEL					

average change in the price of a basket of BT's main services to 6.25 percentage points below the rate of inflation as measured by the Retail Prices Index (RPI). Taking into account the under utilisation of permitted price increases in previous years and an adjustment from a shortfall in revenue incurred by BT following the introduction in April 1991 of charges for calls to its directory enquiry service, BT was required to reduce its prices by 0.95%.

2.77 This slight shortfall in the reduction implemented by BT arose because of the need to forecast the take-up of BT's optional tariff packages. A procedure agreed between BT and OFTEL to take account of such an eventuality was brought into effect in calculating the required price changes in the next price control year (1993/94), in order to ensure that consumers are not disadvantaged by the forecast error.

2.78 The price control rule which took effect from 1 August 1993 limits the average change in the price of a basket of BT's main services to 7.5 percentage points below the increase in the RPI. Inflation was just over 1.2% for the year ending June 1993 which means that BT has to reduce its prices in the year commencing 1 August 1993 by 6.36% (taking into account the small adjustment carried over from the year ending 31 July 1993). This means a price reduction of over £500m is required in the year ending 31 July 1994. In September BT reduced the price of multi-line connection charges to £99 (excluding VAT), bringing them into line with earlier reductions in single line connection charges and in December BT reduced its prices for long distance national calls at weekends. These two sets of changes represented a decrease of 2.03% in BT's basket of controlled charges (see Table 2.1).

2.79 Towards the end of the year, the Director General discussed with BT how to ensure that BT's customers get the benefit of price reductions as early as possible in the price control year. It was agreed that, for the remaining three years of the current price control formula, price changes will be introduced in such a way as to be equivalent to a single price reduction on 1 November each year. This arrangement will be underpinned by an amendment to BT's operating licence.

### **Licence modifications - private circuits**

2.80 On 3 September OFTEL published details of the proposed new price control rule for BT's private circuits, in accordance with the provision of section 12(2) of the Telecommunications Act 1984, inviting representations or obligations by 4 October. Few comments were received, and none which necessitated any changes of substance. Accordingly, having received BT's consent to the proposals as required by section 12(4) of the Act, the Director General modified BT's licence on 14 December 1993.

2.81 The new price control rule will limit increases in the aggregate prices of each of three 'baskets' of services, in a particular year, to the rate of increase in the Retail Prices Index (RPI) in the year to the previous June. The three baskets of services are:

- all inland analogue private circuits
- all inland digital private circuits
- all international private circuits (both analogue and digital)

2.82 In addition to the aggregate control on each basket, increases in each **individual** private circuit price are limited as follows:

- RPI+2 for all analogue private circuits, whether inland or international circuits; and
- RPI+1 for all digital private circuits, whether inland or international circuits.

The new price control rule applies for four years until 31 July 1997. (See Table 2.2 for price changes to BT's private circuits.)

### **Scrutinising price changes**

2.83 In 1993, OFTEL began a review of the way in which operators notify the Director General of price changes and also changes in their terms and conditions for the provision of telephony services. The review followed an exercise on the enforcement of PTO licences in which the Director General concluded that, in an environment of increasing competition, there was a need for OFTEL to be more proactive in its monitoring role. This would ensure that tariff changes and new listings do not have anti-competitive effects which might damage competitors and/or be against the interests of consumers.

2.84 By the end of the year OFTEL was in discussions with BT on the type of information that it would now require with each notification.

### **Determinations on international accounting rates**

2.85 International accounting rates are the basis of the payments telephone companies around the world make to each other for the delivery of international calls. BT's and Mercury's licences require them to comply with a Code of Practice determined by the Director General. Under the current Code BT and Mercury must normally adopt the same ('parallel') accounting arrangements. This is to ensure that monopoly telephone companies at the far end of international routes cannot take advantage of the competitive environment in the UK by playing BT and Mercury off against each other to the ultimate disadvantage of the UK generally. Under the Code the Director General may allow departures from parallel accounting in certain limited circumstances, including where there is more than one operator at the far end of a particular route. In 1991, the then Director General allowed BT and Mercury to adopt different accounting rates from each other on the UK-USA route. Under the Code, they are still required to seek the Director General's approval for any change to the rates on this route and the Director General has three months to decide whether or not to approve any change.

2.86 In September 1993, Mercury sought the Director General's approval for a 25% reduction in its accounting rates with the USA for international direct

dialled and operator calls. It also sought approval for a lower accounting rate than BT was then using when it introduced its new Country Direct services with US operators. Country Direct customers visiting the USA will call a freephone number and be connected to an operator in the UK. The operator will then connect the caller to any number they want and bill the call to a prearranged account.

2.87 On 14 December, the Director made a determination approving the new rates for international direct dialled and operator services with effect from 1 October 1993 and on 23 December he approved the new rate for Country Direct services also with effect from 1 October.

2.88 In November, BT sought the Director General's approval for a package of reductions in its UK-USA accounting rates. The Director General was, at the end of 1993, still considering BT's proposals under the Code.

### **Emergency call services**

2.89 A two year study into the future handling of emergency calls was concluded in August when the Director General announced that the proposal for an independent agency to handle emergency calls would not be put into practice. The Director General was aware of the high standards which apply under the current arrangements. Most calls are received by BT, which handled 21 million in 1993. In nearly every case callers requesting an emergency authority were connected within 20 seconds. His decision was therefore based upon the overriding principle that the agency should only be launched if it was clear that it would improve, or at least maintain, those standards. The Director General took the view that the limited benefits the agency would bring did not justify the radical reorganisation that would be required. He reached this conclusion after receiving a detailed study by independent experts into the proposed agency. He also took into account the views of the broadly-based review group set up to advise on this issue.

2.90 Instead of the proposed agency handling calls from all network operators, BT and Mercury agreed to extend their practice of handling emergency calls from other operators' networks. This arrangement received wide endorsement. The Director General has made clear that OFTEL will ensure these agency services are offered on open and fair terms.

### **'Video on demand' services**

2.91 During 1993, OFTEL was involved in discussions with the Department of Trade and Industry (DTI), the Department of National Heritage (DNH) and the Independent Television Commission (ITC) about the regulatory position of 'video on demand' (VOD) services. In this context, VOD means a point-to-point

service where a customer requests an item from a menu which is then transmitted over the telecommunications network to the customer's home and which will start when the customer chooses and can be controlled by the customer (eg paused, rewind etc) in the same way as with a video tape played on a video recorder. It is, thus, not a broadcast service in the usual sense. The Government's White Paper *Competition and Choice: Telecommunications Policy for the 1990s*, published in March 1991, made it clear that the existing restrictions on BT, other national public telecommunications operators (PTOs) and Kingston Communications in Hull from conveying entertainment services in their own right would not be removed until 2001 (subject to review in 1998, if the Director General advised that removing the restrictions would be likely to promote more effective competition in telecommunications) and that national PTOs would not be allowed to provide entertainment services nationally in their own right until at least 2001.

2.92 In September, the ITC issued a press statement making it clear that it did not consider that a VOD service as described above needed to be licensed as a local delivery service under Part II of the Broadcasting Act 1990. However, the ITC considered that the provision of such a service would be licensable as a licensable programme service under sections 46 and 47 of the Broadcasting Act, which means that the content of such a service would be regulated by the ITC Codes on Programmes, Advertising and Sponsorship. The statement also set out the view of OFTEL and the DTI that the telecommunications licences held by BT, other national fixed-link PTOs and Kingston Communications under the Telecommunications Act 1984 would not prohibit the conveyance of this type of non-simultaneous service.

2.93 In a speech on 7 December the Director General clarified further the position of VOD services under the regulatory regime for telecommunications. He endorsed the Government's commitment to the policies set out in the 1991 White Paper and reaffirmed OFTEL's support for the broadband cable operators. He said that OFTEL had been encouraged by the progress of the cable TV sector particularly in providing competing local telephony services. The cable networks were beginning to deliver choice to customers and OFTEL intended to continue developing a regulatory regime which encouraged effective competition in telecommunications within the framework of the White Paper policies. The Director General emphasised that OFTEL would look closely at any video on demand service offered by BT or others to make sure that the terms on which it was made available were fully consistent with UK policy on the competitive provision of telecommunications. OFTEL would also want to ensure that the principles of fair trading in licences held by BT and others applied equally to any new services they might carry in the future.

2.94 OFTEL had not received details of any proposed VOD service from any PTO by the end of 1993.

**Table 2.3** Broadband cable operators licensed as PTOs during 1993

Licensee	Franchise	Date
Encom Cable TV and Telecommunications Ltd	Dartford	11 March
Encom Cable TV and Telecommunications Ltd	Epping Forest	1 April
Bradford Cable Communications Ltd*	Bradford	15 July
Comment Cablevision Wearside Partnership	Sunderland and Durham	24 September
Comment Cablevision Worcester Ltd	Worcester and Redditch	25 September
Insight Communications Cardiff Ltd*	Cardiff	13 October
Insight Communications Guildford Ltd*	Guildford	13 October
Nynex Cablecomms Oldham and Tameside Ltd	Oldham and Tameside	14 December
Nynex Cablecomms Bury and Rochdale Ltd	Bury and Rochdale	14 December
Nynex Cablecomms Wessex Ltd	Bournemouth	16 December

\* Re-issued licences

## Cable developments

### Broadband cable operators (PTOs)

2.95 1993 has been a year of significant activity and considerable progress within the UK broadband cable industry. During the year the licensing round by the Department of Trade and Industry came to an end with the award of seven new licences to cable franchisees (see Table 2.3). All 125 remaining franchisees now hold licences under the Telecommunications Act to install networks in their specific franchises. Of these franchises 65 are currently operational and providing services to customers.

2.96 Construction of the systems authorised by these licences continued at a fast pace. During the year the cable operators built their networks past over a million homes so that by the end of December they extended past some 3.1 million homes in total. This represents a significant advance during a difficult period. By the end of the year over 610,000 households had been connected to the cable television services provided by these operators. While actual numbers still remain low, the rate of increase – over 50% in 1993 – indicates the potential growth.

2.97 It was a good year for the cable operators in term of providing competing voice telephony services. A total of 43 licensees now offer their customers such a service and by the end of 1993 they had installed 314,000 exchange lines – nearly three times the figure at the end of 1992.

2.98 Within OFTEL much activity was devoted to monitoring compliance on the part of the cable operators with their licence conditions and taking enforcement action where this proved necessary. The key areas of the licences on which OFTEL concentrated included:

- monitoring progress against network construction obligations
- ensuring that operators have made sufficient provision for funds for meeting their liabilities
- checking that operators lodge with OFTEL copies of their charges, terms and conditions when they propose to offer services and
- making sure these are consistent with the obligations laid down in the licences.

2.99 The Director General modified the conditions in 26 licences implementing the decisions taken as part of the so-called Duopoly Review in 1991 and establishing as far as possible standardisation between licences. The key modification made will see cable operators being able to offer voice telephony in their own right rather than as an agent of BT or Mercury. OFTEL expects to modify similarly the conditions in the majority of the remaining licences by the end of 1994.

### **Non-PTO cable licences (SMATV)**

2.100 During 1993, a further 90 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*, making a total of 1,981 systems registered as at 31 December 1993. This represents a significant reduction in interest and activity on the part of SMATV (satellite master antenna television) operators – in 1992, for instance, 260 such registrations were made.

2.101 During the year 13 new individual licences were issued by the DTI for SMATV systems covering more than 1,000 homes. Most of these represented, in fact, the re-licensing of existing systems following changes of ownership rather than the installation of new systems (see also **Licences Register**, paragraphs 2.220 and 2.221).

### **Satellite matters**

2.102 In July the Director General published a consultative document seeking comments on the conclusions and proposals for change following OFTEL's



review of the operation of BT's Signatory Affairs Office (SAO). The key findings of the review were:

- direct access to the international satellite consortia INTELSAT and EUTELSAT for independent operators should be sought as soon as possible
- in the interim the SAO would not be allowed to require operators to meet investment share liabilities
- SAO's activities should be brought within the ambit of BT's licence and thus be subject to normal regulatory scrutiny.

There were a number of other more detailed recommendations for change on the day-to-day operation of the SAO. The objective of all these proposals for change was to encourage greater competition in the provision in the UK of telecommunication services via satellite.

2.103 A number of useful representations on the proposals contained in the consultative document were received by the deadline of the end of September. OFTEL plans to publish a statement announcing its final conclusions as a result of this review – including its timetable for introducing any changes – early in 1994.

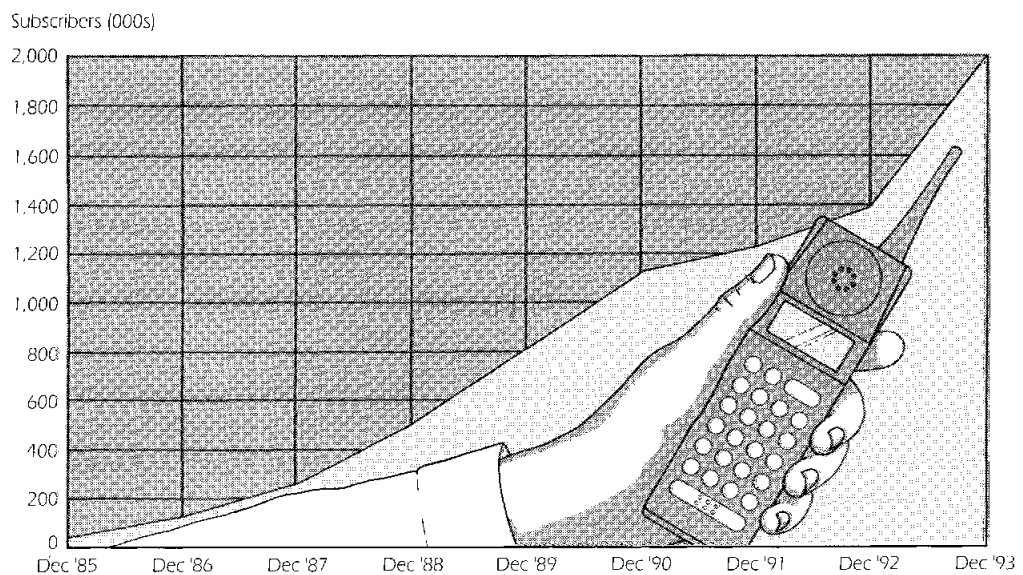
2.104 During the year the Secretary of State awarded individual licences to six satellite service operators:

Satellite Information Services Ltd  
 E-Sat Telecommunications Ltd  
 PanAmSat L P  
 Maxat Ltd  
 Kingston Communications (Hull) plc  
 Incom (UK) Ltd

allowing them to provide services that connect with the public switched network (but not at both ends for international voice traffic). These new licences, together with the Class Licence issued on 2 August 1991 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, represent a significant liberalisation of the market for satellite services in the UK.

## **Mobile networks**

2.105 The mobile telephony market in 1993 was notable in particular for the marked growth in the total number of mobile subscribers, the launch of a new network by Mercury Personal Communications Ltd (MPCL) and the start of Vodafone's digital cellular services, with associated new tariffs. A new licence was granted to Vodafone Ltd, permitting it to offer a wider range of services than formerly (see paragraph 2.67).



**Figure 3** Estimated number of cellular radio subscribers in the UK (cellular radio services began in January 1985). The 1993 figure includes Mercury One-2-One. **Source:** CIT Research and other sources. 1991 onwards – *Financial Times Mobile Communications*.

### Cellular radio and PCN

2.106 The total number of subscribers connected to the cellular radio networks grew from approximately 1,395,000 at the end of 1992 to around 2,000,000 at the end of 1993, a rise of some 43% (see Figure 3). The dominant networks continued to be the TACS (total access communications system) analogue systems operated by Telecom Securicor Radio Ltd (Cellnet) and Vodafone Ltd. But on 7 September 1993 MPCL launched a new digital cellular network under the brand-name 'Mercury One-2-One', and this accounted for around 5% of the rise in cellular users during the year.

2.107 In September Vodafone launched two new digital networks using radio frequencies around 900 MHz to operate in parallel with its TACS network. These networks use the new international standard known as GSM (Global System for Mobile Communications). The two services offered – EuroDigital and Metro-Digital – enable subscribers to use their mobile telephones both in the UK and Europe via other pan-European GSM networks.

2.108 Cellnet is expected to launch a GSM service during 1994.

2.109 MPCL's new network operates at higher radio frequencies (around 1800 MHz) than the Vodafone and Cellnet networks and uses a variant of the GSM standard known as DCS 1800. This type of network is also known as a PCN (personal communications network). In its first phase of operation Mercury One-2-One is offering service in the London area (within the M25).

2.110 Another PCN licensee, Hutchison Microtel Ltd, is currently engaged in building its network and is expected to launch its service in April 1994.

2.111 The entry into the cellular market of MPCL, together with recent diversification of the wholesale tariffs offered by Cellnet and Vodafone, has led to a considerable widening of the range of tariffs on offer to consumers from service providers and MPCL's direct retailing division – for example, free off-peak calls from the Mercury One-2-One service and special low call volume tariffs on the cellular networks. OFTEL welcomes these developments and will be watching the market closely to see how competition develops as the new networks become established.

2.112 A number of complaints about anti-competitive practices on the part of the mobile telephony networks were under investigation by OFTEL during the year. These are discussed in paragraphs 2.51 to 2.55.

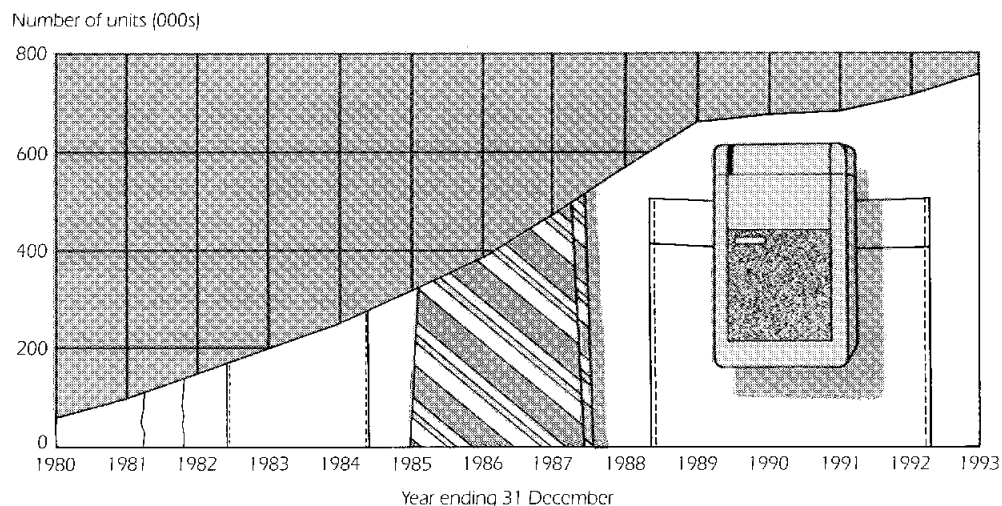
2.113 The Trade and Technology Minister, Mr Patrick McLoughlin, announced on 15 June 1993 the outcome of a consultation launched by the DTI in October 1992 on possible uses for the spectrum freed in consequence of the merger in March 1992 of two of the original three PCN licensees, Mercury Personal Communications Network Ltd and Unitel Ltd. Mr McLoughlin said that the Government, having considered the various responses and taking into account both the launch of the two PCN services expected over the next twelve months and the development of harmonised European frequency plans, had decided that there should be no allocation of the spectrum until at least April 1995. Nearer that time the Government might wish to reconsider possible future use of the spectrum. OFTEL was fully consulted about this decision.

### **Telepoint**

2.114 The 'Rabbit' telepoint service launched by Hutchison Personal Communications Ltd in mid-1992 failed to attract a sufficient number of customers. On 5 November 1993 the parent company, Hutchison Whampoa Ltd, announced that the service would be closed on 31 December 1993, and that the group would be concentrating its resources on the development of its PCN service. Existing Rabbit customers were offered attractive terms for either migration to another cellular network (including Hutchison's PCN service when launched), or buyback of their telepoint apparatus. There is now no public telepoint service operating within the UK.

### **Wide area radiopaging**

2.115 In October 1993 Vodafone Group plc announced that it was acquiring the Air Call paging network run by Air Call Communications Ltd, a UK subsidiary of BellSouth Corporation of the USA. Vodafone Group plc is the parent company of another radiopaging licensee, Vodapage Ltd. (See Figure 4 for the growth in radiopager subscribers.)



**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*.

### Public access mobile radio (PAMR) – Band III

2.116 Seven new regional Band III licences were granted on 25 February, 21 June and 27 August 1993 to Trunked Radio Networks Ltd (4), Radiophone Networks Ltd (2) and R & D Communications Ltd (1). These licences were offered following an earlier competition. During the year three licences were issued to London Radio Networks Ltd, Radionet Ltd and Trunked Radio Networks Ltd to expand the geographical areas covered under earlier licences.

2.117 In addition, after consulting OFTEL and the Radiocommunications Agency, the DTI wrote on 27 August 1993 to all Band III regional licensees inviting applications for those regional Band III licences previously offered in 1990 which had been returned to the DTI. The areas concerned were: South Midlands, Telford, Essex/Suffolk, Leeds/Sheffield, Borders/Berwick, Carlisle/Dumfries, Aberdeen, Central Scotland and Tyne Tees. As a result of this competition licences were offered to RT Radiophones Ltd to operate networks in the first three of these areas, and to a subsidiary of RT Radiophones – Radionet Network Services Ltd – to operate in the Leeds/Sheffield area. These licences had not been issued by the end of the year.

2.118 On 3 September 1993 a licence was granted to Signature Industries Ltd to run a regional Band III network which it had acquired from Motorola Ltd. On 6 December 1993 National Band Three Radio Ltd (the only national Band III operator) announced its intention to acquire from Motorola Ltd its remaining three regional Band III networks in Manchester, Birmingham and London.

### **Private mobile radio (PMR)**

2.119 During the year there were further consultations between the DTI and OFTEL on the two proposed class licences – one for public service organisations and one for all others – allowing licensees running PMR systems (with no public access) to self-provide while sharing with third parties and to resell spare circuit capacity. The DTI expects to issue both class licences in 1994 following a period of public consultation.

### **Dedicated radio data networks**

2.120 Mobile and fixed data conveyance services continued to be provided by Cognito Ltd, Hutchison Mobile Data Ltd, Ram Mobile Data Ltd and Paknet Ltd. However, the ultimate parent company of Hutchison Mobile Data Ltd – Hutchison Whampoa Ltd – announced on 5 November 1993 its intention to sell its mobile data operation. This sale had yet to be concluded at the end of the year.

### **Class licences for private networks**

#### **Telecommunication Services Licence (TSL) and Self Provision Licence (SPL)**

2.121 The Telecommunication Services Licence (TSL), which came into force on 1 September 1992, is the class licence under which licensees of private networks **offering services to third parties** run their systems. Resale services are allowed under the TSL, but not international simple voice resale (ISVR) services or, for the most part, international simple data resale (ISDR) services (see paragraphs 2.69 and 2.70). The Self Provision Licence (SPL), a revised version of which also came into force on 1 September 1992, is the main licence under which all other private networks, such as domestic installations, are run.

2.122 During 1993 revisions of the TSL and SPL were being considered by the Department of Trade and Industry and OFTEL in order to clarify their provisions.

#### **Value Added and Data Services (VADS) Class Licence**

2.123 Both the VADS class licence and the TSL are currently in force but the VADS licence pre-dates the TSL and is more restrictive. Licensees still have the option of operating under either. During the year the last major service provider (MSP) operating under the VADS licence at the end of 1992 notified OFTEL that it no longer wished to do so, and is now operating under the TSL. Although no MSPs now operate under the VADS licence, it is a long-term licence and so has been left in force for those who may wish to run under it.

### **Outside Broadcast Licence (OBL)**

2.124 This class licence authorises the running of outside broadcast sound and vision and associated programme control links by or on behalf of broadcasters and independent programme makers. The OBL limits the length of time licensees may run apparatus at any outside broadcast site to sixty days in any six month period, but licensees can apply to OFTEL to have this time limit waived or extended. Licensees must register with the DTI but no licence fee is payable. Since the licence was granted in August 1991, 49 companies have been registered under the OBL, but none were added in 1993.

### **Other private network licences**

#### **Licences issued prior to the Telecommunications Act**

2.125 The Department of Trade and Industry and OFTEL are trying to ensure that all telecommunication systems originally run under licences issued prior to the Telecommunications Act 1984 are now licensed under the Act. Most operators who used to operate their systems under a 'pre-1984' licence are now able to run them under a Telecommunications Act licence. However, there remain a few cases in which it is uncertain whether the systems run under 'pre-1984' licences are able to be operated under a Telecommunications Act licence. The Department of Trade and Industry and OFTEL are considering the position on these. The life of 'pre-1984' licences still in use has been extended on three occasions by Orders issued under Schedule 5 of the Act. The current Order expires on 4 August 1994 and there will not be a further extension. Operators still running their systems under 'pre-1984' licences will need to ensure that they are covered by a licence issued under the Act before the current Order expires.

#### **Individual private network licences**

2.126 During 1993 the Department of Trade and Industry issued individual licences to the following organisations to enable them to run private networks:

- **Marketing and Retail Services Consultancy Ltd** (19 May)
- **Eurotunnel** (20 May) for telecommunication systems to maintain safety in the Channel Tunnel system
- **Electricity Association** (5 July – a temporary licence) to allow member companies to run trial services over conventional electricity wires
- **Goodall Personal Numbering Ltd** (6 July)
- **British Airways** (22 December – a temporary licence) to conduct passenger trials of in-flight terrestrial flight telephony systems pending the issue of a class licence.

2.127 These licences were issued because the networks concerned could not be run under an existing class licence and so it was considered that they should be

separately licensed. OFTEL staff advised the DTI in relation to the licence applications, in accordance with section 7 of the Telecommunications Act.

2.128 At the end of the year work was continuing on five draft licences, all of which are expected to be issued during 1994. Three of these are industry-related class licences.

2.129 Details of casework and enquiries on private network licences are given in paragraph 2.145. Information about the number of licences issued can be found in the **Licences Register** section (paragraphs 2.220 and 2.221).

## SERVING THE CUSTOMER

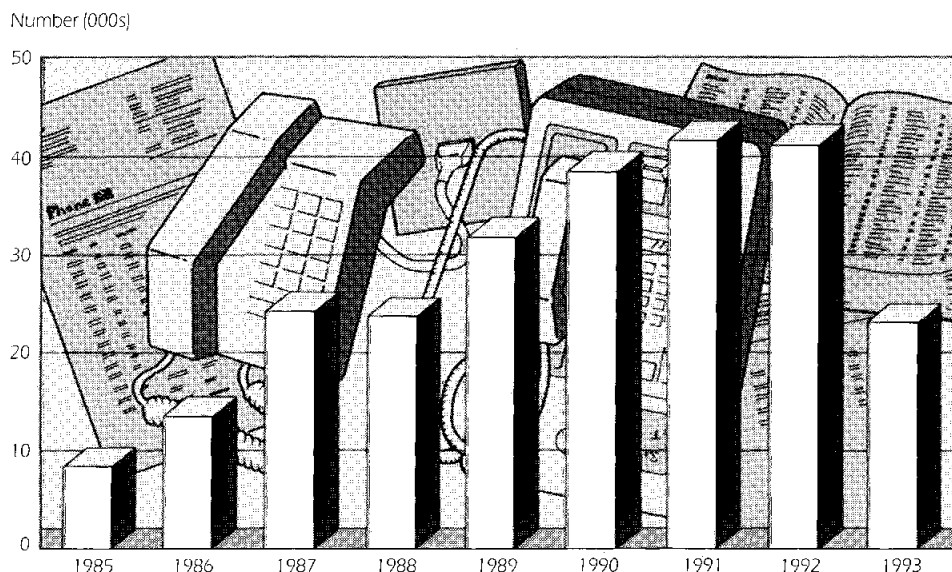
### Representations to OFTEL

#### Consumer representations

2.130 The Telecommunications Act 1984 requires the Director General to consider any representations made to him (excluding those that are frivolous) about telecommunications services or apparatus. As a deliberate policy, however, OFTEL normally allows the public telecommunications operator (PTO) concerned first to consider the matter 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, failing that, by the exercise of the regulatory powers available to the Director General. Many of the 'consumer' issues discussed in this Report were first brought to OFTEL's attention through representations from consumers.

2.131 Between 1985 and 1991 (with the exception of 1988) each *OFTEL Annual Report* recorded an increase in the number of representations received by OFTEL and the English Advisory Committee for Telecommunications (see Figure 5 and Table 2.4). In 1992 there was a small but welcome reversal of this trend with 41,026 representations being received compared to 41,393 in 1991. During 1993, the volume of representations fell significantly to 23,413 – a reduction of 43 % on the 1992 total.

2.132 An analysis of all representations to OFTEL in 1993 is given in Table 2.5. The format is comparable with that provided in *OFTEL Annual Report 1992*.



**Figure 5** Consumer representations received by OFTEL and ENACT

2.133 It is particularly encouraging that the number of written representations – which require the dedication of more resources within OFTEL – dropped from 9,561 in 1992 to 6,450 in 1993 (a decrease of 32.5%). Apart from *other matters* (which includes representations transferred to specialist desks in OFTEL, eg about mobile telephones – see paragraphs 2.143 and 2.144 – and queries not for OFTEL) the largest categories of representations were about charges and billing (25%) and disputed accounts (18%). The former includes a number of representations about standing charges and how they relate to the general public's perception of BT's profits, and representations from individuals who have incurred call charges below the standing charge for line rental. The latter should, to some extent, be eased by the introduction on 1 January 1994 of BT's new Light User Scheme (see paragraph 2.156 to 2.158).

2.134 Perhaps of most significance and encouragement is the continued reduction in the number of representations received about disputed accounts (down 25% overall but written complaints dropped by 53%). Several factors have contributed to this. The principal factor is that PTOs, in particular BT, have made improvements to their own complaint handling procedures (see also paragraph 2.151). These improvements have also meant that the proportion of

**Table 2.4** Consumer representations received by OFTEL and ENACT (1985–1993)

1985	1986	1987	1988	1989	1990	1991	1992	1993
8.765	13.660	24.186	23.782	31.644	38.530	41.393	41.026	23.413



**Table 2.5** A breakdown of the consumer representations received by OFTEL and ENACT

Subject	1992	1993
Disputed accounts	5,617	4,232
Charges, billing	9,382	5,837
Provision of service	2,565	1,284
Deposits and reminders	1,327	589
Standards of service	1,564	657
Fault repair service	1,585	974
Compensation Scheme	965	695
Operator services	226	80
Payphones	347	179
Caller thinks OFTEL is BT	4,797	1,311
Unable to pay bill	1,666	475
BT value added network	733	310
Telephone books	704	308
Apparatus	499	230
Customer confidentiality	328	158
Uninvited calls	192	92
Wiring	153	14
Telephone selling	170	113
Other matters*	8,318	5,872
<b>Total</b>	<b>41,026</b>	<b>23,413</b>

\* The Other matters figure shown here includes representations, mainly by telephone, that were transferred to specialist desks in OFTEL (eg relating to mobile telephones - see Table 2.6) and enquiries meant for other bodies (eg OFT) mistakenly made to OFTEL.

representations which can be resolved after they are passed back to the PTO to deal direct with its customer has increased.

2.135 The majority of representations are, as would be expected, from BT's customers and BT's network is undergoing continuous modernisation. This leads to the increasing availability of itemised billing (see paragraph 2.159) and call barring (see paragraph 2.160). All these improvements should result in further reductions of the number of complaints that OFTEL handles relating to disputed bills. Already the number of written complaints within the disputed accounts category specifically relating to premium rate services has fallen from 26% of the total in 1992 to 19% in 1993. This category should decrease further in 1994 with the introduction of 'opting-in' for adult premium rate services (see paragraph 2.146).

2.136 Representations relating to the telecommunications industry can be very complex and in 1993 a positive effort was made by OFTEL to respond to written consumer representations in a more understandable way following comments received from the Plain English Campaign.

2.137 In 1993 there was a reduction of 46% in the number of telephoned representations received by OFTEL compared to the preceding twelve month period. A major contributing factor to this is likely to be a reflection of the increased public awareness of the free contact numbers – 150, 151, 152, 154 – for residential and business customers to contact BT direct without involving OFTEL. This is illustrated by the number of calls received from people who thought that OFTEL was BT reducing by 73%.

2.138 Calls relating to disputed accounts increased slightly (by 5%) in 1993 compared to the substantial decrease in written representations (see paragraph 2.134). Most of the other major categories – provision of service, quality of service, fault repair, charges, deposits and where customers are unable to pay their bills – showed welcome reductions in telephoned representations.

2.139 The reducing number of telephoned representations has enabled OFTEL to review its procedures, and to introduce improvements in the way calls are handled. It is no longer a requirement that callers must write to OFTEL before their representation is investigated or written advice provided except in the more complex areas of complaint. A telephone answering system has been installed to handle 'out of hours' calls. A 'LoCall' telephone number (0345 145000) has been introduced to enable consumers to contact OFTEL and the country Advisory Committees at local charge rates from anywhere in the UK. Finally an arrangement with BT's Complaints Review Service has been introduced whereby details of telephoned representations, which have not been considered by BT, are relayed to the Service, and an undertaking given that the customer will be contacted within an hour of the call to OFTEL.

### **Cable and satellite**

2.140 During the year OFTEL received 108 representations about the activities of broadband cable operators, more than double the number received in 1992 (see Table 2.6). This growth in the number of representations reflects the growth in the activities of the cable operators themselves. Increasingly, the representations concern telephone billing disputes rather than those issues which have arisen before, such as failure to provide cable television or voice telephony services and damage caused by network installation.

2.141 Six representations were received by OFTEL about the activities of individually-licensed SMATV (satellite master antenna television) operators. Of these three concerned the cost of SMATV services, two were complaints about the quality of service provided and the other concerned a disputed bill.

2.142 During 1993 OFTEL received no representations regarding the activities of the independent satellite service providers.

**Table 2.6** Representations about PTO licensing issues  
and representations in more specialist areas

	1992	1993
<b>BT</b>		
Tariffs and charges	117	94
Installation, maintenance of wiring and equipment	80	38
Anti-competitive practices	88	74
Apparatus	13	15
Emergency services <sup>1</sup>	264	167
Other <sup>2</sup>	159	105
<b>Mercury</b>	44	96
<b>Hull</b>	7	10
<b>Broadband cable</b>	50	108
<b>Radiopaging/mobile radio</b>		
Paging	87	82
Cellular radio	1205	1652
PCN <sup>3</sup>	n/a	79
Band III PMR	3	9
Telepoint	5	9
Other <sup>4</sup>	77	59
<b>Numbering<sup>5</sup></b>	n/a	150
<b>TOTAL</b>	2149	2639
Written/telephone split (%/%)	30/70	23/77
<b>Notes:</b>		
<sup>1</sup> This drop reflects the end of the 999 Review in 1993.		
<sup>2</sup> This category includes representations received about directory enquiries, quality of service and other miscellaneous topics.		
<sup>3</sup> PCN complaints and enquiries were included in cellular radio in 1992. The increase in 1993 reflects the launch of Mercury One-2-One in September 1993.		
<sup>4</sup> This category includes representations received on mobile telephony and related issues which do not fit into the other mobile categories above.		
<sup>5</sup> Numbering complaints and enquiries statistics were incorporated into the Other section under BT-related complaints during 1992.		

### Mobile networks

2.143 There was an increase of just over 37% in the number of representations received about mobile services as a whole, with 1,890 received in 1993 compared to 1,377 in 1992. Cellular radio services were by far the largest category. The increase in cellular radio representations is partly attributable to the increased take-up of low user packages in the residential customer market. The main areas of complaint were billing issues and contractual disputes.

2.144 Complaints about the charges made by the network operators for calls into the cellular networks which result in a recorded message have

continued to increase in 1993. OFTEL is looking into this issue with the operators and representatives of customer groups to explore ways of improving the situation.

### **Private network enquiries and cases**

2.145 OFTEL handled 54 written enquiries and cases about the licensing position of individual licensees, ranging from enquiries about particular licences and aspects of the licensing regime as they affected the enquirer to more lengthy cases about developing individual licences (often in consultation with the Department of Trade and Industry). Numerous telephone enquiries were received about the position of individual licensees. OFTEL also handled 208 cases of enforcement of licence conditions. In particular these included ensuring that certain licensees adhered to the rules on sending recorded messages and sales calls contained in the Telecommunication Services Licence (TSL) and Self Provision Licence (SPL) (see paragraphs 2.121 and 2.122) and ensuring that licensees complied with the apparatus maintenance requirements of the TSL and SPL.

### **Premium rate services (PRS)**

#### **Control of one-to-one services**

2.146 During the year eight service providers were disconnected for various breaches of the *Live Conversation Services Code of Practice*. In June BT announced that access to 0898 'adult' premium rate services would, from July 1994, be available only to customers that opt in and obtain a personal identification number (PIN). This commercial decision by BT was welcomed by the Director General who believes that for certain premium rate services opting-in is the best way of giving customers control over the use of their telephone. It was also announced that, from January 1994, advertising of adult services would be restricted to top-shelf publications only.

2.147 Under Condition 33A.8 of BT's licence and the equivalent condition in Mercury's licence, the Director General can determine that a live conversation service should not be treated as such for the purpose of the licence condition. This means that, although an exempted service provider has to observe the provisions of the Live Services Code, it does not have to pay into the compensation fund or to record all conversations. During 1993 applications to exempt 214 services were received and 97 granted, making a total of 327 services granted exemption since the regulations were introduced in October 1989. Administrative changes have enabled a much speedier service to be provided to applicants.

### **Higher rate PRS**

2.148 OFTEL recognises that the development of the PRS industry needs the freedom to charge higher or multiple tariffs. OFTEL discussed the likely introduction of these tariffs with ICSTIS (the Independent Committee for the Supervision of Standards of Telephone Information Services) and the revised ICSTIS general Code which came into effect in August made provision for services to be charged at higher than normal rates, subject to a number of controls. Higher rate services will need prior approval by ICSTIS, will be permitted only on numbers specifically allocated for this type of service, and will require a message giving the cost of the call. Calls will be terminated within 15 minutes.

## **Competition and Service (Utilities) Act 1992**

### **Performance standards**

2.149 The Director General, having assessed carefully the responses to OFTEL's consultative document issued in October 1992, continued his discussions as to the nature of any performance standards to be imposed on BT and Kingston Communications. These are the two 'designated operators' as they supply at least 25% of the voice telephony services in their licensed areas. In parallel he invited all public network operators to discuss amongst themselves the areas of service they saw as most important to customers, with a view to their publishing agreed measures of performance. These would allow consumers to make informed choices between alternative providers of comparable services.

### **Deposit criteria**

2.150 Work continued during the year on both BT's and Kingston's deposit criteria. BT submitted a draft version for agreement by the Director General. OFTEL considered this and by the end of the year had asked BT to develop it further. Discussions continued with Kingston Communications but are not as far advanced.

### **Complaint handling procedures**

2.151 Following extensive discussions throughout the year, the Director General approved BT's complaint handling procedures in December. These provide access for complainants to a comprehensive complaints examination procedure which will be publicised extensively through various guides and also contained in *Phone Books*. Discussions continued with Kingston Communications.

### **Dispute resolution**

2.152 The Act empowered the Director General to resolve disputes about individual standards of performance, unfair discrimination, deposits and certain billing matters. During the year, although administrative procedures were developed, it became clear that the number of complaints received by both BT and OFTEL about billing matters was declining dramatically (see paragraph 2.134). Accordingly, the Secretary of State decided in July that he would not make the necessary regulations enabling the Director General to determine disputes relating to billing at this stage. Work continued on the other areas of dispute resolution.

### **Calling line identification (CLI)**

2.153 One of the services resulting from the modernisation of the telecommunications network is calling line identification (CLI) – also known as calling number display (CND). CLI will allow customers with suitable equipment to identify the number of a caller before deciding whether to answer a call. This obviously has major advantages for combatting malicious calls (see paragraph 2.164). However, its introduction changes the underlying privacy characteristics of the network as soon as it is introduced because, even though they may not take the service, the customer's telephone number can be displayed to the person they are calling. This raises major issues of confidentiality and has personal security implications.

2.154 OFTEL considers it important to discuss fully with users and operators the privacy implications and other issues raised by CLI before the service is introduced across the networks. For example, OFTEL considers it essential that all callers must be able to prevent the transmission of their number (for all or some calls, whether or not they take the caller display service). There should also be a reciprocal right for the called party to reject calls from those not willing to identify themselves, although a facility is then needed to allow each party to be made aware of the other's wishes.

2.155 During the year BT ran two trials in Scotland, which prompted a favourable response from customers. OFTEL issued over 25,000 copies of a consultative document in September with the aim of ensuring that everyone likely to be affected was able to express their views. Over 140 responses had been received by the end of the year and these will be taken into account as policy details are finalised early in 1994. OFTEL will continue to take an active role to ensure that a satisfactory balance is struck between the benefits that can accrue from CLI and the privacy which may be lost. It is essential that CLI operates in a manner that best serves the customer.

## **New low user scheme for residential customers**

2.156 As part of the licence modifications resulting from the 1993 price review OFTEL required BT to introduce a revised scheme to cater for (residential) low users of the telephone. Modified Guidelines for the new 'Light User Scheme', to replace both the Low User Rental Rebate and Supportline, were agreed in December 1993 and the scheme will be introduced on 1 January 1994. The new scheme covers 21% of residential customers, a much larger proportion than previously, and offers a greater discount to the lowest users.

2.157 The Scheme will benefit customers whose outgoing calls do not exceed a cost of £10 per quarter at normal prices (equivalent to 238 units). Eligible customers will receive a discount on the rental charge. The level of discount will increase as the calls part of the bill decreases. Those making no outgoing calls will pay only 39% of the line rental in the first year which reduces significantly the minimum cost of remaining connected to the telephone network. Everyone using less than 238 units per quarter will receive some rebate.

2.158 All eligible customers will qualify automatically at the introduction of the Light User Scheme, although in subsequent years newly eligible customers will need to register – to ensure that those not entitled to a rebate do not benefit unfairly. Lines in second homes and customers receiving service from other telephone companies are among those excluded from the new scheme.

## **Other consumer issues**

### **Itemised billing**

2.159 First introduced by BT five years ago, itemised billing has become increasingly available as exchanges have been modernised. By the end of 1993, the number of working lines on which it was offered had reached 26.9 million – 95% of the total (see Table 2.7). Customer take-up has reached some 45% of those able to receive this service (an OFTEL survey in 1993 established that the vast majority of BT customers were aware of the service). BT has carried out trials of full itemisation (where calls of less than 10 units are also itemised) and hopes to be able to offer this facility to all of its customers by 1996. Mercury and Kingston Communications both itemise all of their customers' calls now. OFTEL continued to participate in BT's discussions with caring and counselling agencies about the possible loss of confidentiality with fully itemised bills in an endeavour to find an acceptable solution.

### **Call barring**

2.160 Differential call barring for premium rate services became available to some BT customers in 1992, allowing them to bar calls from their telephone to all

**Table 2.7** 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

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

**Source:** BT

premium rate services or merely those of an adult nature. By the end of 1993, 18 million customers had access to this facility and nearly one million had taken up full call barring. This represents a little over 5% of the lines on which call barring is available.



## Deposits

2.161 Since revised arrangements were introduced in August 1991, customer representations have decreased markedly. BT's complaint handling procedures allow contested deposit requests to be reviewed at a higher management level and the Director General's powers under the Competition and Service (Utilities) Act require him to approve BT's deposit policy, including the criteria used. This should help further alleviate customers' difficulties and complaints (see also paragraph 2.150).

## Credit/usage limits

2.162 BT has explained to OFTEL its plans to introduce a system to replace the need for deposits, whereby customers agree a quarterly limit with BT based on previous or anticipated usage. BT would monitor the customer's usage during the period, and contact the customer should the agreed limit be approached before its end. This system is expected to be available nationally in late 1995, and OFTEL will ensure that customers' requirements and sensitivities are taken into account fully before its introduction.

## Direct marketing by telephone and fax

2.163 Extensive discussions continued throughout the year with the Direct Marketing Association, trade associations and the telephone companies about a possible Telephone Preference Scheme. Under Condition 8.2 of the Telecommunication Services Licence and the Self Provision Licence (see paragraph 2.121) the Director General may recognise a register of persons who do not wish to receive unsolicited telephone sales calls, so that firms making these calls would have to ensure that no consumers registered under the scheme received them. Problems surrounding the identification of the originators of telephone sales calls, and the funding of the administrative arrangements that would be required, have delayed progress.

## Malicious telephone calls

2.164 OFTEL again carried out a survey to assess the level of obscene and other nuisance calls, and found that almost 15 million obscene calls are made each year – some two thirds of them to women. Encouragingly this continues the declining trend evident in the two preceding years. The survey suggested that other types of nuisance call are more common, but obscene calls are believed to cause the most distress. Some two thirds of the respondents in the survey that had received nuisance calls were aware of BT's ability to trace calls – this no doubt acts as a deterrent upon callers. During office hours BT's nationwide network of Malicious Call Bureaux allows customers to make free calls to seek advice; at other times there is a free recorded advice line. BT has also agreed that victims of malicious calls can have one free change of number during a twelve month period.

### Reduced takeover charge

2.165 Following OFTEL's involvement BT agreed to reduce the charge for 'non-simultaneous' takeover of an established line – where there is a break in service or the previous subscriber takes their number with them. From February 1994 the charge goes down from £31.30 to £21.28. In making this move BT acknowledged the cost benefits of an increasingly digital network. Customers are not charged for the 'same day' takeover of a line.

### Quality of service on the networks

2.166 OFTEL continued to monitor the performance of BT and Mercury by means of the six-monthly reports they publish on their quality of service. Joint BT/OFTEL surveys, monitoring the serviceability of BT's public call boxes and congestion on its directory enquiry service, continued throughout the year (see Appendix).

**Table 2.8** Cellular drive-round survey. Mobile to fixed network calls (percentages)

	Cellnet			Vodafone		
	Period 1	Period 2	Period 3	Period 1	Period 2	Period 3
<b>First attempts</b>						
Successfully set-up	96.4	97.6	97.8	97.9	98.3	98.4
<i>of which</i>						
Successfully completed	96.0	97.3	97.2	97.9	98.8	98.9
Successfully set-up and completed	92.5	95.0	95.1	95.8	97.1	97.3
<b>Repeat attempts*</b>						
Successfully set-up	65.9	82.0	81.8	79.0	82.0	86.7
<b>All attempts</b>						
Successfully set-up	95.1	97.1	97.3	97.4	97.9	98.1
<i>of which</i>						
Successfully completed	96.0	97.2	97.2	97.9	98.8	98.8
Successfully set-up and completed	91.3	94.4	94.6	95.4	96.7	97.0
<b>Call intents§</b>						
Successfully set-up	98.3	99.3	99.4	99.4	99.5	99.6
<i>of which</i>						
Successfully completed	96.2	97.3	97.2	97.9	98.8	99.0
Successfully set-up and completed	94.4	96.6	96.6	97.4	98.4	98.6

\* Statistics on completion of repeat attempts are not sufficiently accurate to publish  
 § The statistics in this section of the table present the success rates experienced by a caller when counting as one entity the first and repeat (if present) call attempts (ie the caller is successful if his call is set-up either at the first attempt or at the second attempt)

**Table 2.9** Cellular drive-round survey. Fixed network to mobile calls (percentages)

	Cellnet			Vodafone		
	Period 1	Period 2	Period 3	Period 1	Period 2	Period 3
<b>First attempts</b>						
Successfully set-up	93.8	96.6	96.2	94.1	96.3	97.0
<i>of which</i>						
Successfully completed	95.7	97.6	98.1	98.2	98.8	99.2
Successfully set-up and completed	89.8	94.3	94.4	92.4	95.1	96.2
<b>Repeat attempts*</b>						
Successfully set-up	65.1	77.9	69.6	60.7	76.9	80.6
<b>All attempts</b>						
Successfully set-up	91.9	95.5	94.8	92.1	95.3	96.3
<i>of which</i>						
Successfully completed	95.6	97.7	98.1	98.1	98.7	99.1
Successfully set-up and completed	87.9	93.3	93.0	90.3	94.1	95.4
<b>Call intents‡</b>						
Successfully set-up	97.3	98.6	98.1	97.4	98.8	99.1
<i>of which</i>						
Successfully completed	95.6	97.7	98.1	98.1	98.7	99.1
Successfully set-up and completed	93.0	96.3	96.3	95.6	97.5	98.2

\* Statistics on completion of repeat attempts are not sufficiently accurate to publish

‡ The statistics in this section of the table present the success rates experienced by a caller when counting as one entity the first and repeat (if present) call attempts (ie the caller is successful if his call is set-up either at the first attempt or at the second attempt)

2.167 In August, the Director General invited the fixed line public telecommunications operators (PTOs) to set up a working group to look at the problems involved with achieving comparability in statistics of performance. The PTOs have been working on this, together with representatives of consumers, and a considered industry response was expected in February 1994.

2.168 The performance of the analogue cellular radio networks was monitored by means of an independent drive-round survey. This was commissioned by OFTEL and commenced in October 1992. The survey was conducted by Survey Research Associates (SRA) and funded equally by the network operators – Vodafone and Cellnet. Quarterly results were published in March, September and December (see Tables 2.8 and 2.9). The Director General announced the termination of the survey in October because of the unwillingness of Vodafone to contribute £25,000 towards a cost over-run caused by technical problems which arose in the early stages of field work.

2.169 In December OFTEL published its report *Telephone Service in 1993*. The report contained a variety of data from nine public opinion surveys commis-

sioned by OFTEL and carried out by NOP Consumer Market Research, RSGB (Research Surveys of Great Britain) Ltd and BMRB International. The surveys covered:

- general satisfaction with BT's service
- telephone selling
- nuisance calls
- directory enquiries
- public payphones
- telephone directories
- telephone numbers and charging
- charges on bank holidays
- special services for elderly and disabled people
- recorded announcements on mobile telephones
- silent monitoring of calls
- households without a telephone
- BT's Customer Service Guarantee Scheme.

## **EUROPEAN AND UK STANDARDS AND APPROVALS**

### **European organisations**

2.170 European telecommunications has been characterised by individual national public service monopolies with only the UK deviating from this approach. However, evolving European Community policy is starting to take the other Member States along the path towards a fully competitive market already taken by the UK. In the meantime, the aim of Community policy – and the legislation implementing it – is to balance liberalisation with harmonisation.

2.171 While the Department of Trade and Industry (DTI) has responsibility for negotiating telecommunications legislation and other arrangements with foreign authorities, it is OFTEL's role to advise the DTI in the course of its discussions. The most important of these are with the European Community. OFTEL is often required to implement agreed measures and also reconcile any arrangements undertaken at European level with regulations in the UK. OFTEL therefore attends the meetings of a number of regulatory bodies in Europe and plays a full part in the continuing debate about European telecommunications policy. The functions and activities of these bodies are described briefly in the following paragraphs.

### **ECTRA and the ETO**

2.172 ECTRA (European Committee for Telecommunications Regulatory Affairs), 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.

2.173 Current policy issues include licensing and declaration procedures, numbering and accounting rate policy. An important step taken in 1993 was to agree the setting up of the European Telecommunications Office (ETO) in Copenhagen. The ETO will provide the administrative framework for a 'one-stage' shopping procedure for licensing and declaration procedures. It will advise ECTRA on the development and co-ordination of European numbering policies.

### **New Technical Regulations Application Committee (NTRAC)**

2.174 New TRAC is responsible for giving advice to the European Commission on matters relating to the Telecommunications Terminal Directive (91/263/EEC) (see paragraphs 2.186 and 2.187) and to Common Technical Regulations (CTRs) (see paragraphs 2.175 and 2.186). It also maintains a register of test laboratories authorised to test against the requirements of Normes Europeene de Telecommunications (NETs). In 1993 NTRAC completed its CTR Handbook and is now working on guidelines for the application of CTRs under the Directive.

### **Approvals Committee for Terminal Equipment (ACTE)**

2.175 The ACTE's function is to assist the European Commission in the application of the Terminal Directive (91/263/EEC) (see paragraphs 2.186 and 2.187). Common Technical Regulations (CTRs), which are mandatory for all Member States, are formally adopted by the Commission through the ACTE. In 1993 five CTRs were adopted. This represents a significant first step towards the establishment of an open market for terminal equipment within the European Union.

### **European Telecommunications Standards Institute (ETSI)**

2.176 ETSI is the principal body within Europe for the production of voluntary standards (ETSS) for pan-European application and of Technical Bases for Regulation (TBRs) which are the technical part of CTRs. By the end of the year some 230 ETSS had been published with a further 800 in the pipeline. In 1993 ETSI developed a policy for ensuring that the standards-making process is not blocked when the technical specifications are covered by an intellectual property right. In all 340 member organisations and companies from 28 European countries take part in ETSI.

## European Directives and other legislation

### Services Directive

2.177 The Services Directive (*Commission Directive on Competition in the Markets for Telecommunications Services – 90/388/EC*) liberalised the supply of data, value-added and private voice services within the Community. This removed 'special and exclusive rights' which had been granted by Member States for certain organisations to supply value added and data services but stopped short of liberalising public voice telephony services.

2.178 The Directive recognised that this was only a first step and that a review of the sector should be undertaken in 1992. As a result of that review, a Council Resolution was passed in 1993, calling for the liberalisation by 1998 of public voice telephony services by Member States, with a few exceptions, including appropriate safeguards to preserve adequate universal service. The protection of universal service was carried a stage further by the passage in October of a Council Resolution covering this issue. There was also a recognition of the growing importance of the mobile sector and the corresponding need to devise specific and consistent policies.

### Open Network Provision (ONP)

2.179 ONP follows on from the partial liberalisation provided by the Services Directive. Its basic principles were stated in the Framework Directive (Council Directive 90/387) on the establishment of the internal market for telecommunications services through the implementation of open network provision. The Framework Directive envisaged open access to the network resources and services which were not liberalised to date by Community measures. It aimed to harmonise the conditions of access in vital areas such as technical interfaces, usage conditions and tariffing principles according to defined principles of objectivity, transparency and non-discrimination.

2.180 The general principles were given practical effect in a series of separate measures directed at individual parts of the market. Early measures passed were a Council Directive on leased lines and Council Recommendations on integrated services digital networks (ISDNs) and packet switching data services. These measures were implemented in the UK by the DTI. Other measures in the pipeline include a draft directive on voice telephony.

### Leased Lines Directive (92/44 EEC)

2.181 The Leased Lines Directive adopted in 1992 required implementing legislation to be put into place a year later. *OFTEL Annual Report 1992* gave notice of the way in which this was to be put into effect in the UK. There were to be Regulations issued under section 2(2) of the European Communities Act which would make appropriate amendments to operators' licences and issue complementary instructions to the Director General.

2.182 A Statutory Instrument – *Telecommunications (Leased Lines) Regulations 1993* no 2330 – was made on 24 September 1993. OFTEL is finalising its procedures for the publication of details of the availability of particular types of leased line, ease of access to related information, the clarity and breadth of that information and conditions of use including protection against their arbitrary withdrawal as required by the Regulations. The Regulations also cover the tariffs which operators charge and which through their internal accounting systems must be seen to be clearly related to the costs they incur in providing the lines.

### **ISDN/PSDS recommendations**

2.183 The directions given to the Director General in 1992 in respect of these recommendations came into operation under section 94 of the Telecommunications Act 1984. These consist predominantly of obligations to collect data on the respective markets and to present these in a prescribed form. The target date for doing so is early summer of 1994.

### **Voice Telephony draft Directive (COM 92/247 final SYN 437, 27.08.92)**

2.184 A common position on this Directive was reached by the Council in July 1993. The proposals have subsequently become subject to the new procedures under the Maastricht Treaty for consultation with the Parliament.

2.185 The Directive is similar to that on leased lines but applies to a wider range of activities. As well as regulating the ONP areas of cost transparency, availability and conditions of service etc, it will also define the parameters of a guaranteed universal access and establish the duties of Member States in respect of interconnection.

### **Telecommunications Terminal Equipment Directive**

2.186 In 1993, work continued on the implementation of the Telecommunications Terminal Equipment Directive – 91/263/EEC. Towards the end of 1993 the first five Common Technical Regulations (CTRs), which are mandatory on all Member States, were adopted. They cover GSM (Global System for Mobile Communications) access and telephony, DECT (Digital European Cordless Telecommunications) access and telephony and unstructured ONP leased lines. Where terminal equipment is not covered by a CTR national regulations continue to apply, although the European Commission's view is that national regulations should not contain any requirements which go beyond the 'essential requirements' specified by Article 4 of the Directive.

2.187 During 1993 OFTEL collaborated in a joint steering group with the DTI to consider approvals issues which arise from the implementation of the Directive. Amongst other things the group's aim is to make recommendations for the simplification of the UK approvals regime in line with the Directive and the treatment of national requirements, in particular those relating to consumer protection.

## UK standards and approvals

### General Approvals and General Variations

2.188 The procedures for type approval of telecommunications apparatus normally involve the testing of the apparatus by an authorised test laboratory. However, where these detailed procedures are not deemed necessary, some classes of apparatus may be approved under a General Approval. Approval is automatic provided that the apparatus concerned meets the requirements of the General Approval. OFTEL may issue General Variations to permit the enhancement of apparatus in the customer installed base or to remove restrictive conditions from existing approvals. OFTEL did not issue any General Approvals in 1993 but two General Variations were issued.

2.189 A General Variation (NS/V/1235/P/100021) was issued in April 1993 which varies the approvals of all types of apparatus, the type approval of which permits call barring. As a result of this Variation a maximum of six digits may be transmitted to a public switched network before any call barring function is required to terminate the call. This Variation was issued to enable equipment to be enhanced to cope with the National Code Change (NCC).

2.190 A General Variation (NS/V/1235/P/100020) was issued in November 1993 which permits users of call routing apparatus which is capable of interconnecting public switched telephone network exchange lines to enjoy the benefits of call diversion of an incoming call to a second destination in the public network and multiline conferencing. This Variation was issued in response to a growing user demand for PSTN-PSTN connection capabilities.

### Site specific approvals

2.191 In some instances OFTEL may approve apparatus for use at a specific site on a one-off basis. In 1993, OFTEL issued 244 such site specific approvals. They included approvals of equipment specifically modified or adapted for use by disabled people, and for the testing and development of new equipment. Details of all apparatus approvals granted in 1993 are given in the **Approved Apparatus Register** section, paragraphs 2.222 and 2.223.

### BABT Metering Approval Scheme for public telecommunications operators (PTOs)

2.192 In March 1993 the British Approvals Board for Telecommunications (BABT) presented its third report to the Director General. Reporting on the progress of the Metering Approval Scheme it said that both BT and Mercury were well down the route to formal approval. During 1993 work continued towards the approval of the quality systems of BT and Mercury and measurement of the metering accuracy achieved by their networks.



2.193 Progress was also made towards bringing Kingston Communications into the Metering Approval Scheme. In March 1993 Kingston Communications held preliminary discussions with BABT concerning its application for approval of meters used in its voice frequency services. This led to modifications to the licence of Kingston Communications covering meter approval on 21 June 1993.

2.194 On 10 December 1993, following consultation with interested parties, the designated standard for PTOs' meter systems was varied to make it possible for it to be applied to any PTO.

### **Pre-connection Inspection (PCI) and Connection Scheme**

2.195 OFTEL developed, in consultation with interested parties, its own *Quality Assessment Guide for Certification Bodies Applying ISO 9002:1987 (BS 5750: Part 2: 1987) for the Registration of:*

- (i) *Installers for Installing and Commissioning, and Connecting Call Routing Apparatus;*
- (ii) *Maintainers for Inspecting and Connecting installed Call Routing Apparatus.*

2.196 The Guide, OFTEL/QAG/2, was published in May 1993. The aim of the Guide was to foster competition among certification bodies competent to evaluate installers and maintainers wishing to become registered to offer connection services for call routing apparatus (CRA).

2.197 Before the Guide was published only one certification body had been appointed – since its publication there have been a further three appointments. Also in 1993 an additional 25 installers and 14 maintainers were registered under the Scheme, bringing the totals up to 66 and 36 respectively.

### **Call Routing Apparatus Maintainer (CRAM) Scheme**

2.198 During 1993 OFTEL appointed an additional company to the CRAM Scheme, bringing up to six the number of certification bodies competent to assess applicants wishing to provide maintenance services for call routing apparatus (CRA) and serially connected equipment (SCE).

2.199 A second issue of the *Quality Assessment Guide for the Application of ISO 9002: 1987 (BS 5750: Part 2: 1987) for the Registration of Maintainers of Approved Call Routing Apparatus (Large and Small) and Serially Connected Equipment (OFTEL/QAG/1)* was published in February 1993. The second issue introduced modifications into the Guide to encourage a greater availability of maintenance services for users of obsolete equipment. The CRAM Working Party met once to consider further revisions of the Guide.

2.200 Details of contractor approvals in 1993 are given in the **Approved Contractors Register** section, paragraphs 2.224 to 2.226.

### **ESN security**

2.201 A number of representations have been made by the mobile communications sector about fraudulent practices through the alteration of the electronic serial number (ESN) in mobile handsets. As a result, OFTEL asked the British Approvals Board for Telecommunications (BABT) to include in all new approvals of mobile handsets a condition that alteration of the ESN would deprive the handset concerned of its approved status. This alteration to the approval regime came into force in February 1993.

### **Marking and Labelling Orders**

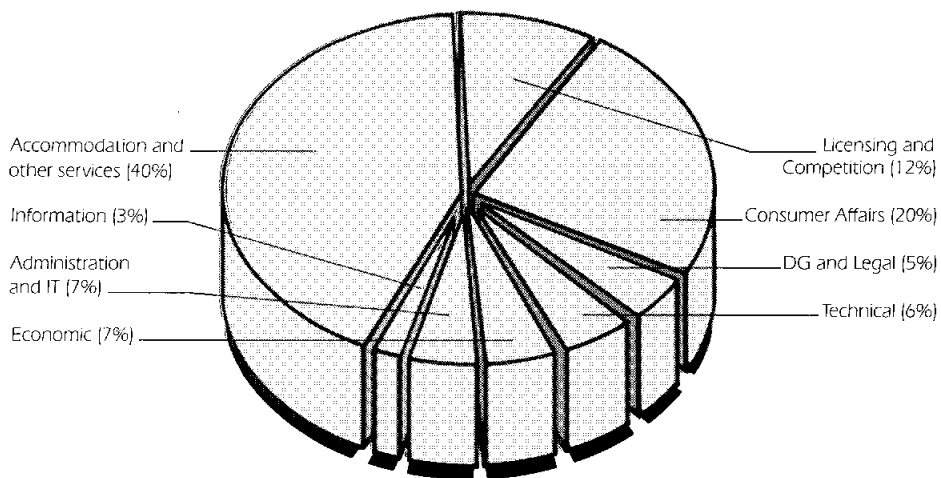
2.202 OFTEL continued its regulatory and advisory role to the public, Trading Standards Officers and others on the provisions of the Telecommunications Apparatus Marking and Labelling, and Advertisement Orders. In particular this involved warning suppliers, advertisers and publishers that it is illegal either to supply equipment which does not carry the markings specified by the Marking and Labelling Order or to advertise equipment without indicating its approval status.

2.203 In response to a marked increase in the number of complaints received about alleged breaches of the Advertisement Orders in respect of modems, OFTEL took steps to heighten industry and user awareness of the requirements of both Orders by the publication of an OFTEL Update – *The sale and advertisement of modems (SA61)*.

## **MANAGING OFTEL'S RESOURCES**

### **Financial arrangements**

2.204 OFTEL's funding is provided by Parliament and is subject to cash limits and running costs control. Running OFTEL cost £7.5 million in the financial year ending March 1993. The corresponding expenditure figures for the two previous financial years – 1990/91 and 1991/92 – were £6.4 million and £7.4 million, respectively (see **Statement of Accounts** at the end of this section).



**Figure 6** The division of OFTEL's budget

2.205 Figure 6 shows how OFTEL's expenditure was divided in 1992/93 between the main areas within OFTEL. Salary costs accounted for some 43% of the total spend. Expenditure covering the work of the six advisory committees (see Part 3) and the Telecommunications Advisory Committees is included in the *consumer affairs* sector.

### Staffing

2.206 In December 1993, OFTEL employed a total of 147 staff other than casual or seasonal staff. The number of staff by grade groups was as follows:

- Senior staff (Grade 7 and above including professional and technical) 33
- Other professional and technical staff 9
- Executive staff 57
- Clerical and support staff 48

Staff numbers are expected to increase to 154 in 1993/94 and to 171 in 1994/95.

2.207 This increase reflects the resources needed to achieve a higher level of integration and focus, to improve OFTEL's ability to identify and respond to consumer issues and to enable the department to handle changes in workload and pace of response prompted by the so-called Duopoly Review. The resulting growth in the number of new operators has led to a considerable expansion in OFTEL's licensing and interconnection activities.

2.208 An internal audit and staff inspection service was provided to OFTEL by staff of the Office of Fair Trading.

## STATEMENT OF ACCOUNTS

### A Appropriation account statement (financial year 1992/93)

Statement of expenditure and appropriations in year

Service	Grant £'000	Expenditure £'000	Variance £'000
Running costs	7,163	6,872	-291
Other current expenditure	736	637	-99
Capital expenditure	156	147	-9
<b>Gross total</b>	<b>8,055</b>	<b>7,656</b>	<b>-399</b>
Less:			
AZ appropriations in aid	116	116	
<b>Net total</b>	<b>7,939</b>	<b>7,540</b>	

### B Memorandum trading account for the year ending 31 March 1993

	£'000
<b>Gross income</b>	<b>7,924</b>
<b>Expenditure</b>	
pay costs	3,830
other operating expenses	3,466
total expenditure	<b>7,296</b>
<b>Operating surplus/deficit</b>	<b>628</b>

#### Notes to the accounts

##### (a) Basis of accounting

The appropriation account statement has been prepared on the basis of actual recorded income and expenditure in the financial year. It therefore reflects cash income and expenditure appropriate to OFTEL's Vote. The memorandum trading account does not yet provide for depreciation and interest on capital.

##### (b) AZ appropriation in aid

These are receipts collected in the course of OFTEL's ordinary Vote business (eg 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.

##### (c) Income

Licence fee income has been calculated as follows:

	£'000
Received during 1992/93	7,807
Less payments relating to 1991/92	10
Plus outstanding at 31.3.93	<b>4</b>
	7,801
plus other income	123
<b>Total</b>	<b>7,924</b>

##### (d) Notional insurance

Notional insurance has been calculated as follows:

	£'000
0.1% of salaries	3,830
0.1% of stocks (£20,000)	20
0.1% of fixed assets (£2.5m)	2,500
<b>Total</b>	<b>6,350</b>

##### (e) Notional interest

Notional interest on income has been calculated by applying a 5% real interest rate to the total Licence Fee income in accordance with HM Treasury Fees and Charges Guide to reflect the fact that the bulk of OFTEL's income is received at the start of the financial year. Fee income received at the start of the year has therefore been treated as negative working capital.

## Publicity

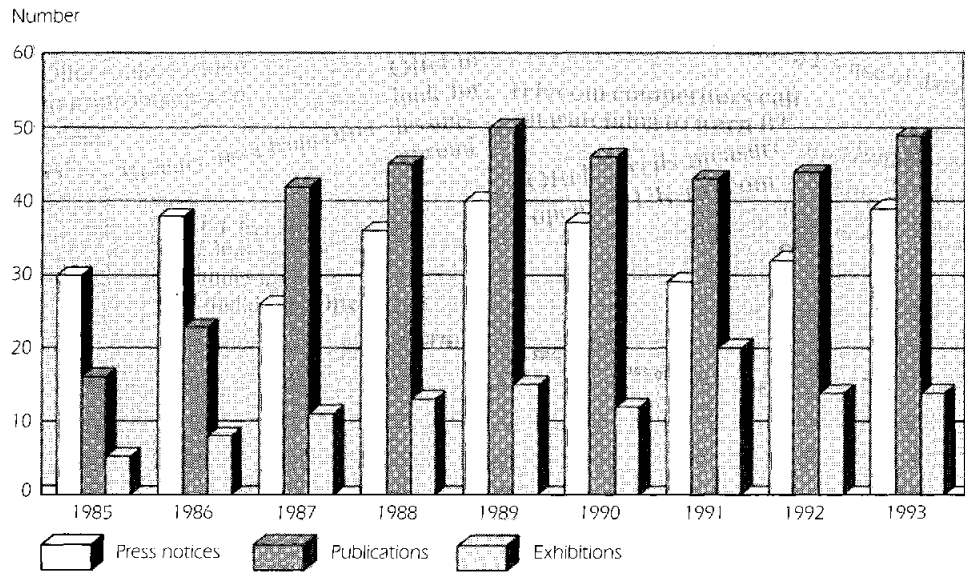
2.209 OFTEL achieved wide coverage in the media during the year. The arrival of Don Cruickshank as Director General, future numbering plans and proposals, and progress on interconnection issues excited particular interest. Both Don Cruickshank and Bill Wigglesworth appeared on television in programmes ranging from the main news bulletins to Channel 4's *The Goldring Audit* on telecommunications. Don Cruickshank's appearance before the Parliamentary Public Accounts Committee in May was covered on both television and radio. The Directors General and other senior OFTEL staff gave numerous radio interviews for BBC and independent radio stations.

2.210 A total of 39 press releases were issued in 1983 (see Figure 7). OFTEL hosted three well-attended press conferences and gave additional press briefings on more complex subjects such as the BT/Mercury determination. The first two press conferences marked the start of major public consultation exercises – on numbering after the National Code Change (NCC) and on interconnection and accounting separation in BT – and the third launched the industry-wide NCC awareness initiative by the NCC Consultative Committee (NC4) in conjunction with OFTEL (see Figure 8).

2.211 On the exhibitions side OFTEL again had stands at a wide variety of events. The Telecommunications Managers' Association (TMA) Conference and Exhibition was the major venue attended for the telecommunications industry. More specialised exhibitions where OFTEL had a stand included *Comex* for the mobile market and *Naidex* (on behalf of DIEL – see Part Three) for elderly and disabled customers. OFTEL met consumerists on the stands at the Consumer Congress in Dundee and at the NACAB (National Association of Citizens Advice Bureaux) Conference in York. To reach more general customers, OFTEL shared a stand with OFGAS at the Royal Show and Royal Welsh Show, and took part alongside OFFER, OFWAT and the Gas Consumers Council in five of a series of *Regulators Roadshows* in shopping centres around the country.

2.212 Once again the annual survey on awareness showed that about half of all those asked had heard of OFTEL (see Table 2.10).

**OFTEL's  
ACTIVITIES**



**Figure 7** Some of OFTEL's information activities



**Figure 8** Vivienne Peters from the Telecommunications Users Association and Chair of the NCC Committee addressing the press conference at OFTEL (see paragraph 2.210). Also in the picture are the Director General and Pat Sellers from OFTEL.

**Table 2.10** Percentage of people who have heard of OFTEL (1985–1993, Great Britain)

	Percentages
August 1985	9
August 1986	12
August 1987	13
August 1988	30
August 1989	29
August 1990	31
August 1991	35
August 1992	51
August 1993	50

**Source:** 1985–1988 NOP (Market Research) face-to-face Random Omnibus Surveys; 1989–1993 Research Surveys of Great Britain Ltd

## Publications

2.213 A total of 49 publications, including revised editions, were produced during the year (see Table 2.11 for the new publications). The 'best sellers' were the two PhONEday leaflets (*A Day to Renumber* and *Presenting Your Number* – see paragraphs 2.29–2.33) and the *PhONEday – Equipment Guide*. Demand was so heavy that OFTEL installed a special 'Leaflet Line' to take requests. The new consumer booklet *A Basic Guide to Data Communications* also proved to be very popular.

2.214 A record number of consultative documents were published this year. *Calling Line Identification*, published in September, sparked considerable interest from a wide range of sources – from operators to residential customers. Demand for the document was particularly high after it featured in an item on BBC Radio 2. As a result of this and comments from regular contributors to OFTEL's consultative exercises, in future the deadline for submissions will normally be a minimum of three months after publication.

2.215 Three issues of *OFTEL News* were published during the year. These were distributed through OFTEL's mailing list to over 21,000 recipients.

## OFTEL's Library and Public Register

2.216 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.

**Table 2.11** New Publications in 1993

OFTEL published the following publications. Most are available free of charge (unless a price is given) from OFTEL's Library (tel: 071 634 8764). The National Code Change leaflets are available from the Leaflet Line – 071 634 8756.

**Consultative documents**

Interconnection and Accounting Separation  
 Numbering: Choices for the Future  
 The Operation of BT's Signatory Affairs Office and Competition in the Satellite Services Sector  
 Calling Line Identification

**Consumer**

Results of the Cellular Telephone Drive-round Survey *Statements on each of the three sets of results*  
 A Basic Guide to Data Communications  
 Access to the Telephone – a right or a luxury? *issued on behalf of DIEL*  
 The National Code Change  
 A Day to Renumber  
 Presenting Your Number  
 PhONEday – Equipment Guide  
 Annual Reports of the six Advisory Committees on Telecommunications *Full versions of the six reports in Part 3 of this report are each published separately*  
 Telephone Service in 1993 *Report*  
 OFTEL Library and the Public Registers

**Competition**

UK Standard Interconnection Charges – Proceedings of a Workshop held on 11 October 1993  
 The Relationship between Costs and Interconnection Charges – Proceedings of a meeting held on 6 December 1993  
 Cost-Benefit Analysis of Number Portability (restricted circulation)  
 Cost-Benefit Analysis of Equal Access (restricted circulation)  
 Network Interfaces Co-ordination Committee *Statement*  
 BT/Mercury Interconnection Determination: Interconnection charges and explanatory document (price £10)

**Licensing**

Future Controls on BT's Private Circuit Prices *Statement*  
 Review of the 999 Emergency Service *Report*  
 BT's July 1993 Price Changes *Statement*  
 999 Call Handling *Statement*  
 Guidelines to the residential low user scheme (see paragraph 2.73)

**Technical**

Approval of PTO Meter Systems *Third report by the Director of BABT*  
 Amendment to call barring requirements for customer premises equipment:  
 General Variation NS/V/1235/P/100021 *Update SA60*  
 Sale and advertisement of modems *Update SA61*



**Table 2.11** continued

Increased competition in assessment arrangements for installers and maintainers wishing to provide connection services for call routing apparatus *Update SA62*

General Variation of conditions in approval of call routing apparatus to allow the connection of two or more PSTN exchange lines *Update SA63*

Approval of broadcasting apparatus *Update SA64*

Quality Assessment Guide for certification bodies applying ISO 9002:1987 (BS 5750:1987) 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 *QAG/2*

#### **Newsletters**

OFTEL News

*Newsline sent to all Advisory Committee members*

*BusinessLine sent to those with an interest in small businesses on behalf of BACT*

#### **Statistical Notes**

International comparisons of telephone charges *Statistical Note no 1*

Monitoring the telephone bill of a 'typical' residential customer *Statistical Note no 2*

2.217 During the year, a total of 1,418 private researchers from the UK and overseas visited the Library and over 13,250 enquiries were answered. These figures show a significant upward trend as 1992 had been a particularly busy year compared to 1991, with 958 visits and nearly 13,000 enquiries.

2.218 The Library also acts as a distribution point for OFTEL's publications (see paragraphs 2.213 and 2.214, Table 2.11). Although many OFTEL publications are free of charge, a total of 3,844 items were sold during 1993, accounting for £26,092 worth of sales – an increase of over 20% in value over 1992.

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

### **1 Licences Register**

2.220 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. An index of the licences is kept on a computer database. 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.

2.221 At the end of the year there were 1,048 licences, excluding renewals, on the Register. A total of 66 new licences were added during 1993, of the following types:

- 8 Public telecommunications operator (PTO) licences (see paragraphs 2.66 and 2.67)

- 7 Broadband cable (PTO) licences (and 3 re-issued licences) (see paragraph 2.95, Table 2.3)
- 2 Broadband cable interconnection licences
- 2 International simple resale (ISR) licences (see paragraph 2.69)
- 13 Satellite master antenna television (SMATV) licences (see paragraph 2.101)
- 6 Satellite service operator licences (see paragraph 2.104)
- 5 Major private network licences (see paragraphs 2.126 and 2.127)
- 23 Other non-PTO licences, including PAMR (see paragraphs 2.116 to 2.118)

## **2 Approved Apparatus Register**

2.222 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).

2.223 By the end of 1993 there were 11,797 approvals on the Register. A total of 791 were added during the year and none withdrawn. Of these 6 were for payphones, bringing the total number of payphone approvals to 73. In addition there were 244 site specific approvals (see paragraph 2.191).

## **3 Approved Contractors Register (Maintainers)**

2.224 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 1994. 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.

2.225 The number of contractor approvals granted in 1993 was 578. A total of 2,444 approvals were in force by the end of the year, held by 188 contractors in respect of 281 models of CRA. In addition three maintainers were approved to maintain serially connected equipment (SCE) (see also paragraph 2.198).

2.226 In addition there is a list of maintainers and installers who are registered to offer connection services for CRA to the public telecommunications networks under the Pre-connection Inspection (PCI) and Connection Scheme (see paragraphs 2.195 to 2.197). During the year 25 installers and 14 maintainers were registered under the Scheme, bringing the totals to 66 and 36 respectively.

#### **4 Miscellaneous registers**

2.227 OFTEL keeps a register of licence applications under consideration by the Secretary of State (see also paragraphs 2.66 to 2.68). This register started after the so-called Duopoly Review finished in 1991 and is updated weekly.

2.228 All systems registered under the class licence for satellite master antenna television (SMATV) networks covering no more than 1,000 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 1,981 systems were registered – 90 systems were added in 1993 (see paragraph 2.100).

2.229 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(b) of the Act.

#### **Other documents held**

2.230 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

3.1 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.

3.2 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.

3.3 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.

3.4 Committee secretariats in Scotland, Wales and Northern Ireland handle local consumer complaints, supported by OFTEL on request. The London-based secretariat, which services the other three committees, uses OFTEL's resources to deal with most complaints directed to them.

3.5 Each committee is required to make a report annually to the Director General. These reports are published on the following pages. To avoid repetition a cross-reference is given in the heading to a section where the issue has already been explained in Part Two – **OFTEL's Activities**.

3.6 Each committee also publishes separately a more detailed record of its activities, which is available free from the Secretary at the address shown below.

- English Advisory Committee on Telecommunications (ENACT)
- Advisory Committee on Telecommunications for Small Businesses (BACT)
- Advisory Committee on Telecommunications for Disabled and Elderly People (DIEL)
- Welsh Advisory Committee on Telecommunications (WACT)  
Caradog House  
St Andrews Place  
Cardiff CF1 3BE  
Tel: 0222 374028
- Northern Ireland Advisory Committee on Telecommunications (NIACT)  
7th Floor  
Chamber of Commerce House  
22 Great Victoria Street  
Belfast BT2 7QA  
Tel: 0232 244113
- Scottish Advisory Committee on Telecommunications (SACOT)  
2 Greenside Lane  
Edinburgh EH1 3AH  
Tel: 031 244 5576

are all based at:  
50 Ludgate Hill  
London EC4M 7JJ  
Tel: 071 634 8770 (voice)  
071 634 8769 (Minicom VII)  
071 634 8771 (QWERTYphone)

## **REPORT OF THE ADVISORY COMMITTEE ON TELECOMMUNICATIONS FOR SMALL BUSINESSES (BACT)**

### **Membership and activity during 1993**

3.7 There were no changes in the membership of the Committee during the year. A full membership list appears at the end of this report.

3.8 The Committee met on five occasions and we dealt with other major issues by correspondence or telephone discussion. The Chairman attended both ACT Chairmen's Group meetings with the Director General and was supported by other members at a workshop with him on OFTEL's forward strategy. The Director General attended one of our own meetings.

3.9 Meetings were attended by the Technical Director and the Consumer Policy Adviser of OFTEL. We were also pleased to welcome representatives of BT Supplier Liaison and Mercury Communications Small Business Marketing.

3.10 In our advice, we sought to represent the impact of issues on smaller businesses. We considered primarily:

- Competition in telecommunications
- National Code Change (PhONEday)
- New numbering systems
- Number portability
- Calling line identification (CLI)
- Directory enquiry services
- Delivery of mobile services
- Premium rate services
- Security and other problems of fax communication
- PTO relations with smaller suppliers
- BABT product approval procedures

3.11 We were consulted by OFTEL on its publications for business users during the year. We produced one issue of our newsletter *BusinessLine* and replaced our out-dated guide to telex, fax and e-mail with a wider-ranging booklet *A Basic Guide to Data Communications*.

## **BACT views on major issues**

### **Competition in business telecommunications**

3.12 In general, we feel that competition is working well for businesses. The real cost of business calls has reduced significantly and the range of services and tariffs available is growing steadily. We have been concerned, however, that the presentation of the options has been so diverse and comparability so difficult that those running smaller businesses have been unable to exercise choice effectively. Therefore, we are particularly pleased to note Mercury's decision to match its geographical banding to that of BT and the latter's decision to introduce charging by time rather than unit. These moves should assist the process of choice, but there is still much obscurity about charging in the mobile market, which must be addressed.

3.13 Although firms outside the main urban areas have benefitted to some extent from competition within them, many still do not have real choice. We expect that OFTEL's work on interconnection costs and accounting separation for BT will be of significant value.

### **PhONEday and after**

3.14 We discussed, with all those involved, our concern that the need for early action on the National Code Change on 16 April 1995 was not being adequately publicised. We are pleased that both OFTEL and BT have now scaled up their effort. The OFTEL *PhONEday - Equipment Guide* (listing customer premises equipment) is particularly valuable.

3.15 We were disappointed that so few businesses responded to OFTEL's invitation to comment on longer term plans for the numbering system. We expressed the view that establishing a structure which would be stable in the long term would be of significant cost benefit to business users.

### **Number portability**

3.16 Overriding all other numbering considerations, however, was the prospect of number portability. We advised that this was the single most important advance in numbering, so far as the business user was concerned; and would have significant impact on exercise of choice, thus encouraging competition.

### **Calling line identification (CLI) (see paragraphs 2.153 to 2.155)**

3.17 We found some difficulty with this topic. It was clear to us that if the concept found general favour and was widely adopted, then it would bring benefits for business and would provide a base for the development of other useful services. However, whilst businesses would want maximum freedom in the use of CLI, we perceived real fear amongst individuals about invasion of privacy.

3.18 Our advice accepted that some initial constraint on use of CLI should be offered. We believe that, as people become familiar with the system in practice, the demand for controls will decline. The terms on which CLI becomes available should be open to review and amendment by OFTEL.

### **Directory enquiry (DQ) services (see paragraphs 2.43 to 2.47)**

3.19 We concluded that the business view of the on-line DQ service is not materially different from that of consumers generally: that single-point access to all subscriber details is desirable. However, we believe that the prospects for competitive provision of access to a single database should be investigated. We emphasised the need to be able to search for dedicated fax and data line numbers as well as voice lines.

3.20 We are concerned about the situation with classified directories. There appears to be continued difficulty for *Yellow Pages'* smaller competitors in obtaining information, which we feel bears further investigation by the competent authorities.

### **Delivery of mobile services (see paragraphs 2.143 to 2.144)**

3.21 We view the growth of mobile telephony services as a key factor for all sizes of business and are pleased with their increasing reliability. The availability of fax facilities and call diversion/messages services is creating an ever more useful tool for all.



3.22 However, we feel that network messages should be more accurate – for example, in informing the caller when a receiver is switched off or out of range so a further attempt will also fail – and that charges for providing messages should be standardised. We are also very concerned about ‘negative selling’ of some services where additional features are provided without prior agreement and the customer billed for them later.

### **Premium rate services (PRS)**

3.23 Our interest has been primarily in the ability of firms to control unauthorised access to PRS via their business lines. We welcomed strongly BT’s decision to limit adult service access to opt-in clients using personal identification numbers (PINs). Taken with existing call-barring facilities, this provides a high degree of protection. However, businesses will have to take particular care of lines with international access until some way can be found to deal with the increasing number of overseas-based operators. Solving this problem should be a priority.

### **Fax communications**

3.24 We considered two main points: problems with overseas fax messages and accuracy of originating numbers. Neither seemed a matter directly for OFTEL and we are pursuing them elsewhere.

3.25 In our 1992 report, we said that we favoured the incorporation of an ‘answerback’ code arrangement, to provide an on-line check that connection to the right destination had been made. With the increasing number of fax machines in use, that seems to us even more important, and we are disappointed that we have heard nothing further from the facsimile industry on the point.

### **PTO relations with small suppliers**

3.26 We held discussions with BT on the prospects for more smaller firms in the UK becoming suppliers to it. These were inconclusive. However, we were encouraged by BT’s policy of assisting suppliers to meet quality requirements; and by a move towards ‘whole-life’ assessment in purchasing, where ability to support the product from a local operating base can shift the balance of price comparisons.

3.27 We believe that the new smaller public telecommunications operators (PTOs) may have requirements which can be met by smaller suppliers and we intend to seek dialogue with them.

### **BABT product approval procedures**

3.28 We believe that approval procedures are too complex, expensive and time-consuming when applied to the ‘niche’ products developed by smaller firms.

This inhibits innovation and limits choice to the consumer. We feel that a streamlined procedure should be available for specialist and low-volume products. We hope that OFTEL will examine this area during 1994.

### **Complaints and representations**

3.29 We are pleased to note the overall decline in business complaint levels, but remain concerned about the relatively high incidence in the London area.

## **MEMBERSHIP OF THE COMMITTEE**

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### *Chairman*

#### **Mr Michael Ashton**

Chairman and Managing Director, metal finishing, West Midlands



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### *Members*

#### **Miss Joy Allan**

Managing Director, hotel and catering, North Yorkshire

#### **Mrs Judith Barden**

Managing Director, print finishing, West Yorkshire

#### **Mr Sefton Bennett**

Managing Director, glass merchants and glaziers, Humberside

#### **Mr Robert Frenzel**

Director, retailing, property and consumer electronics, Suffolk

#### **Mr Patrick Frymann**

Divisional Manager, textile machinery, Nottinghamshire

#### **Mr Richard Furey**

Managing Director, electronic systems design, Co Antrim

#### **Mr Michael Jordan**

Managing Director, stairway design, Cornwall

#### **Mr Sean Mayo**

Managing Director, electronic manufacturing, Gloucestershire

#### **Mrs Pamela Parker**

Director, export project procurement agency, Surrey

**Mrs Margaret Seymour**

Managing Director, civil engineering design and construction, Lanarkshire

**Mr Michael Taylor**

Managing Director, investments and road haulage, London

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

### **Membership and activity during 1993**

3.30 A new Chairman and one additional member were appointed by the Director General during the year. One member retired on health grounds. A full membership list appears at the end of this report.

3.31 The Committee held four quarterly meetings in London and, in addition, members took part in several external visits to discuss and examine developments in services and facilities for disabled and elderly telephone users with special needs.

3.32 The Chairman attended both of the ACT Chairmen's Group meetings with the Director General and was pleased to welcome representatives of OFTEL to two DIEL meetings. Meetings were also attended by the Chairman of OFTEL's Working Group for the Hearing Impaired; by BT and Mercury; and by the Head of the Department of Transport's Disability Unit. Through our Secretariat, we continued to maintain links with many other bodies with interests similar to our own.

3.33 Key subjects considered by the Committee during the year included:

- BT's free Priority Fault Repair Scheme
- Access to telephones
- Improvements to services and facilities for textphone users
- Directory Enquiry and printed directory services
- Calling line identification (CLI) and derived services
- BT's proposed low user tariff
- National Code Change (PhONEday)

## **DIEL views**

### **BT's free Priority Fault Repair Scheme**

3.34 We met with BT early in the year to discuss its plans to relaunch an improved scheme. We were encouraged by BT's intention to expand the scope of eligible customers beyond those living alone and to make registration for the scheme easier, although we had reservations about certain aspects of its proposals.

3.35 We offered various suggestions on ways in which we felt the scheme might be further improved and looked forward to it being relaunched before the end of the year. Unfortunately, this did not occur and we are disappointed that, at the time of writing, BT has still to announce a firm launch date.

### **Access to telephones**

3.36 Ready access to public payphones is essential to many disabled or elderly people unable to afford their own telephones. There has been a dramatic increase in the overall numbers of public payphones in recent years but we have been concerned that, too often, vulnerable people in remote rural areas or rundown city housing estates are still without convenient and operational payphones.

3.37 Whilst we recognise the problems faced from vandalism, etc, we still feel that there is more that could be usefully done to address our concerns. In particular, we would like to see operators publishing clearer guidelines on their policy and practice with regard to the location of public payphones.

3.38 We had a meeting with the Head of the Department of Transport's Disability unit to discuss access to emergency telephones on motorways and other major roads for disabled drivers. The Department is currently undertaking a review of motorway phones. We requested that particular attention should be paid to improving these facilities for the benefit of deaf and speech-impaired motorists. We look forward to further consultation with the Department.

3.39 We referred in our last report to a wide variation in access to telephones for people in residential and nursing homes. Following a series of discussions with other interested parties, we published a leaflet called *Access to the Telephone – a right or a luxury?* which was widely circulated to managers of these homes encouraging them to consider ways in which telephone facilities for residents might be improved.

### **Improvements to services and facilities for textphone users**

3.40 We considered at length the particular needs of profoundly deaf and speech-impaired people, for whom the normal telephone service is very largely

inaccessible. We visited Typetalk, the national relay service for textphone users, to see the work being done there to develop services which enable them to communicate effectively with others by phone.

3.41 We are concerned that textphone users are unable to access the 999 emergency service, since it lacks textphone facilities. We have made it clear that this is an unacceptable situation. The suggestion has been made that Typetalk might take on the role of a 999 call centre for textphone users. The feasibility of this is currently being examined by OFTEL and the 999 network operators (BT and Mercury). Whatever decision is reached on that, suitable access must be found soon to a service which the rest of us take for granted.

3.42 We appreciate the service which Typetalk offers deaf and speech-impaired people. However, it offers a means of communication to only comparatively few people and denies deaf people the degree of privacy enjoyed by other telephone users. It is important that attention is not deflected from developing technology to offer deaf and other disabled people more freedom in the use of the telephone network. In this connection, we were impressed by the work which we saw during our visit to BT's Martlesham research laboratories. We hope that this and similar initiatives will be encouraged.

#### **Directory enquiry and printed directory services (see paragraphs 2.43 to 2.47)**

3.43 We feel that, like the existing public telecommunications operators (PTOs), any new operators coming into the market and offering DQ services should be required to provide them free to customers who are blind or who suffer from other conditions which prevent them from using printed directories.

#### **Calling line identification (CLI) and derived services (see paragraphs 2.153 to 2.155)**

3.44 Whilst we appreciated the importance of the privacy and other issues which were raised by the introduction of CLI services, we felt that OFTEL's consultative document concentrated on these to the detriment of an adequate explanation of the potential benefits of CLI and services derived from it to customers. We considered that public CLI services would prove a significant development of the telephone network for many disabled and elderly people.

#### **BT's proposed Light User Tariff Scheme**

3.45 We were consulted on the terms of the scheme, which we were happy to endorse. We feel that the new tariff will prove to be a major advance on BT's earlier Supportline and Low User Rental Rebate Schemes, which it is designed to replace, and will help many more elderly or disabled people who make comparatively few calls, than have been able to benefit from the earlier schemes.

3.46 We were disappointed that, despite outline agreement between OFTEL and BT in 1992, negotiations on the final form of the new tariff continued late into 1993 and the scheme was not due to come into operation until 1 January 1994.

### **The National Code Change (PhONEday)**

3.47 Substantial publicity about the implications of the National Code Change for all telephone users and the actions they should take is essential. We have recommended to OFTEL and to the PTOs that special attention needs to be paid to targetting groups and organisations who are in touch with vulnerable people and in preparing advisory material in forms which are accessible to disabled people (eg large print leaflets and on audio tape for visually impaired people).

3.48 In particular, we have stressed the importance of early contact with local authorities and other bodies operating community alarm telephone services, so that suitable arrangements can be put in hand to reprogramme the automatic alarm numbers stored in their clients' telephones.

### **Other matters**

#### **Telephony as a social provision**

3.49 Traditionally the cost of the special provision of telephone service to disadvantaged groups in society has fallen on BT as the dominant service provider in the UK; and thus on its customers. However, as BT's monopoly share of the market is reduced as a result of growing competition from other network operators, we feel that attention needs to be given to seeing how this cost can be fairly shared by all the networks and their customers or by the public at large.

#### **OFTEL's Working Group for the Hearing Impaired**

3.50 We kept in touch with the ongoing work of the Working Group for the Hearing Impaired (WGHI), which advises OFTEL on technical matters affecting the use of telephones by deaf and other hearing impaired people, through the attendance of its Chairman at one of our meetings. A summary report on the WGHI's activities in the past year follows this report.

#### **The DIEL information pack**

3.51 As in past years, we continued to seek opportunities to raise public awareness of our role and activities. Publication of a new edition of our information pack on currently-available telephone services and facilities for disabled or elderly people was delayed, to take account of the many changes occurring close to the year end. It will be available early in 1994.

## MEMBERSHIP OF THE COMMITTEE

DIEL

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### *Chair*

**Mrs Jean Gaffin** (from January 1993)

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

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### *Members*

**Mrs Sheila Barrows MBE**

Chairman, Friends of Brookwood Hospital

**Mr David Dunsmuir**

Director, Disability Scotland

**Mr Michael Godfrey**

Manager, Friends of the Royal Botanic Gardens, Kew

**Mr Wally Harbert OBE**

Director, Planning and Development, Help The Aged

**Mr David Hyslop**

Director, Breakthrough Trust (deaf/hearing integration)

**Mr Colin Low**

Director, Disability Resource Team

**Mr Michael Martin OBE**

Consultant in the speech and hearing field

**Professor Eric Midwinter OBE**

Visiting Professor of Education, University of Exeter

**Mrs Sheila Porter**

Principal Social Services Officer, West Glamorgan County Council

**Mrs Nancy Robertson** (from October 1993)

Consultant in the disability field

**Dr Eleanor Steiner**

General practitioner

**Mr Jack Vernon** (to December 1993)

Former Member, Executive Committee, National Federation of the Blind

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

3.52 The Working Group on Telecommunications for the Hearing Impaired (WGHI) is an informal group of technical experts which advises the Director General on technical problems in meeting the telecommunications needs of both hearing- and speech-impaired people. At the beginning of the year, the WGHI welcomed a new Chairman, Mr John Barnes.

3.53 During the year, WGHI has maintained its overview of the practical problems faced by such users of telecommunications services. For the most part, it placed strong emphasis on two key areas:

- the implementation of a recognised standard for users of text terminals, to ensure compatibility between equipment; and
- the introduction of a satisfactory emergency call service for users of such equipment.

It is hopeful of a speedy resolution to the particular problems experienced by users and will continue to press for action in both of these areas.

3.54 Additionally, WGHI has continued to monitor progress in the field of telephone and hearing aid compatibility. This task has been assisted by the Chairman's close involvement in European consideration of the matter. Also, during the year, there was increasing concern within the deaf community about potential interference problems between GSM portable telephones and hearing aid users. WGHI was able to advise OFTEL on this situation and its initial views were published in *OFTEL News*.

3.55 WGHI maintained its close links with related work in other arenas through its cross-membership of COST (European Co-operation in the field of Scientific and Technical research), ITU-TS (International Telecommunications Union - Telecommunications Standardisation Sector; formerly CCITT), ETSI (European Telecommunications Standards Institute) and BSI (British Standards Institution). WGHI also kept up its close liaison with DIEL. In this context, the Chairman attended a meeting of DIEL in September to update DIEL members on WGHI's activities.



# **REPORT OF THE ENGLISH ADVISORY COMMITTEE ON TELECOMMUNICATIONS (ENACT)**

ENACT

## **Membership and activity during 1993**

3.56 The Chairman and three members completed their terms of office during the year. A new Chairman and six members were appointed by the Secretary of State, bringing the Committee to a size more comparable with the other ACTs. A full membership list appears at the end of this report.

3.57 Despite this major change in membership, we maintained both our own quarterly meeting schedule in London and members' level of attendance at external events. We attended both the ACT Chairmen's Group meetings with the Director General of Telecommunications and regard this forum as an important element in the liaison process.

3.58 We were pleased to welcome representatives of OFTEL to two of our meetings. Meetings were also attended by representatives of BT and ICSTIS and by the Director of Telecommunications Policy at the Japanese Ministry of Posts and Telecommunications. Through our Secretariat, we maintained links with many other bodies.

3.59 Key topics considered by the Committee during the year were:

- Regulation of premium rate services
- Effect of the Competition and Service (Utilities) Act 1992
- Calling line identification (CLI) and derived services
- Consumer aspects of
  - Directory enquiry and printed directory services
  - Future numbering policy
  - Transparency of service costs
- Provision of services to special interest groups

## **ENACT views on major issues**

### **Premium rate services (PRS)**

3.60 We were glad of the opportunity to discuss its work with ICSTIS and to contribute towards the revised (sixth) Code of Practice which it published during the year. We supported the action taken by ICSTIS, and now upheld by the Courts, to limit the placement of advertising of adult services and welcomed BT's proposal to introduce 'opt-in' arrangements for them, requiring the use of a PIN number. We hope that all PTOs will establish similar arrangements. We hope

also that some means will be found to close the loop-hole which allows overseas-based services to avoid these controls.

3.61 We will look closely at any proposals to introduce a more expensive range of services. We believe that PRS can be an appropriate means of providing consumer access to expert services, but will wish to see adequate safeguards on the quality and value for money of such services.

### **Competition and Service (Utilities) Act 1992 (paragraphs 2.149 to 2.152)**

3.62 We accepted the decision to defer the introduction of billing dispute regulations, but wish to review the situation in the light of further experience of the internal complaints procedures of the PTOs designated under the 1992 Act. We are disappointed at the delay in developing PTO performance standards. We hope that early agreement will be reached on a format for publication of comparable performance data. We consider that both standards and information are essential if the consumer is to be able to exercise competitive choice in any sensible way.

### **Calling line identification (CLI) (paragraphs 2.153 to 2.155)**

3.63 We welcomed OFTEL's consultative document setting out the privacy and other issues involved in the introduction of public CLI. However, we feel that the potential benefits, both short and long term, of CLI display itself and other services which could be offered using it are not fully appreciated by the public. Therefore, we suspect that some respondents to the consultation will, through ignorance, have taken an unbalanced view. We urge the Director General to take a further look at the educational aspect before reaching decisions.

### **Consumer needs**

3.64 Two key factors of particular importance to the consumer have emerged: adequate and comparable information, and predictability.

3.65 Consumers can only take advantage of choice in services if they have enough information to make sensible decisions. That information must be presented in a way which allows them to understand and compare different options and decide which is best for them. It is essential for the regulatory framework to ensure that this happens or the public benefits of competition will be lost.

3.66 We believe that OFTEL has a major role to play in educating consumers about the opportunities – and the costs and limitations – of new services. We have stressed the need for OFTEL itself to provide factual information to consumers where the industry fails to do so.

3.67 However, there are global services or aspects of service provision where consumers seem to place far less value on choice. They desire primarily a known and reliable service and they expect the regulator to ensure that they get it.

3.68 Views on the Directory Enquiry service are an example of that attitude. Most consumers appear to want a single comprehensive source of number information which can be accessed in the same way from any point on any PTO network.

3.69 The predictability concept has wider application in network operation. Complaints suggest, for example, that most users assume that common charging principles operate across all networks for calls which are not connected and are concerned when they discover, on billing, that this is not the case. Consumers need, at the least, a clear grasp of the differences between networks in such matters, but would appear to prefer that there were none.

3.70 The point of principle will become increasingly important as technology advances. It may soon become possible for a customer to have a personal and portable telephone number. This is a very exciting development and the flexibility it will give to telephone users demands our support for it. But we must be sure that the development includes an arrangement such that callers are made aware of the charge band which will apply to the connection they seek, before the charge is incurred.

3.71 Our advice on future numbering structures also reflected the need for numbering information to give the maximum possible information to users about the quality, connection prospects and charging regimes related to calls to a number.

### **Special needs groups**

3.72 We believe that access to telephony services is now a necessity rather than a luxury in this country. We were pleased to see the general reduction of BT connection charges announced during the year and welcome the new Light User Tariff, to be introduced in 1994. We believe that easing of access to telephony and the substantial widening of eligibility for lower-rate call charges for low-volume users was long overdue. The effects of competition in the mobile market, reducing access costs, are equally welcome.

3.73 However, we remain concerned about the restrictive effects of deposit policies and will want to look further at this issue. We also hope to open up the debate about how those aspects of telephony which provide social benefits, whether to individuals or to the community at large, should be dealt with in the future.

## Telecommunication service development

3.74 We believe that real choice, although slow to come for many people, is now arriving. Rural customers still await the full range of options. The increasing integration of fixed-link and radio-based technologies may now allow them to be reached more quickly and economically by some new services, but not by all. However, we feel that they are benefitting from the effects of competition elsewhere on their providers.

## Local Telecommunications Advisory Committees

3.75 The network of 129 voluntary Telecommunications Advisory Committees (TACs) in England act as a source of support to consumers. We have continued to monitor and seek improvements in the liaison between PTOs and TACs. We have also encouraged the formation of new TACs to increase geographical coverage of the network and reorganisation where original structures are no longer appropriate. We think it is important that the Government should continue to make sufficient finance available to TACs to support their consumer representation work.

3.76 Some TACs have provided excellent support to our advisory work, but we feel that the potential of the network to make 'grass-roots' input to policy is still not fully exploited. We would like to use TACs more systematically as a source of consumer views in our work and intend, in 1994, to open up discussion of how this might be achieved.

## MEMBERSHIP OF THE COMMITTEE

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### *Chairman*

**Miss Moira Black** (from April 1993)

Chairman, Riverside Community Health Care NHS Trust, London

**Mr Robin Hutton** (to March 1993)

Former Director General, British Merchant Banking and Securities Houses Association, London

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*Members***Mrs Anne Ballard**

Director, Direct Mail Services Standards Board, Oxfordshire

**Mrs Diana Banks OBE**

Member, Boissard Research Fund, Kent

**Mr Harry Branchdale** (from January 1993)

Accountant and businessman, London

**Mr Iain Bryce** (from August 1993)

Accountant in professional practice, Humberside

**Mrs Josephine Fergus MBE** (to July 1993)

Company Director and County Councillor, Durham

**Mr James Cooper**

Chairman, Gas Consumers Council, Cheshire

**Mr David Green**

Farmer and rural issues adviser, Hampshire

**Mr Bob Little** (from August 1993)

Ex-Director, telecommunications equipment manufacturing, Nottinghamshire

**Mr Brian Love** (from August 1993)

Consultant, management and telecommunications, Warwickshire

**Mr David Michel** (to July 1993)

Chairman, St Giles Charity Estates, Northamptonshire

**Miss Claire Milne** (from August 1993)

Consultant, telecommunications and social issues, Essex

**Mr Douglas Oram**

Hotel group Telecommunications Manager, West Midlands

**Mr Adrian Squires** (to July 1993)

Director of External Affairs, Telecommunications Managers Association, London

**Dr Joyce Wood** (from August 1993)

US regulatory lawyer specialising in telecommunications, Sussex

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

## **Membership and activities during 1993**

3.77 During the year three members of the Committee completed their terms of office. We are awaiting appointment of their successors. One new member was appointed to fill an earlier vacancy. A full membership list is given at the end of this report.

3.78 Five meetings of the Committee were held during the year, including a joint meeting with the Post Office User's Council for Northern Ireland, at which the then Minister for Consumer Affairs and Small Firms, Baroness Denton, was present. Members then joined the Minister at a luncheon for over 250 business and public sector representatives in the Province, at which she was guest speaker.

3.79 Again the Committee welcomed visitors from OFTEL, who gave valuable assistance in responding principally to consultative papers. Other visitors from Government departments and major providers of telephony services also attended meetings.

3.80 The Committee's activities included a major conference – *Worldwide Network: a conference on communications* – held in March at a venue north of Belfast. Around 200 delegates from both private and public sectors attended, the keynote speaker being the Director General of Telecommunications.

3.81 A large number of issues were considered by the Committee in 1993. These included:

- ICSTIS' Code of Practice
- Telephone number portability
- BT's off-peak weekend rates
- Early morning call charges
- Billing disputes
- 999 emergency call arrangements
- Telephone charges and PABX queuing systems
- Calling line identification (CLI)
- Cellular telephone survey

- Cellular call charges
- Interconnection and accounting separation
- Numbering choices for the future
- Provision of directory information
- Telecommunications performance statistics
- Charge band areas
- Digital exchanges
- Telephony as a social provision

## **NIACT views on key issues**

### **Telephone charges and PABX queuing systems**

3.82 Concern was expressed by the Committee over the various types of call queuing systems and the resulting charges levied for this provision on the caller. The opinion of NIACT is that this situation is unsatisfactory. It is unfair that call charges are made for time spent in queues without callers being made aware that this will happen. Also, in the case of a large user, the system used resulted at times in those at the rear of the queue being brought to the front – this appears particularly unfair to those waiting longest.

3.83 It was recommended that publicity should be arranged to ensure that callers are aware of the position. Voice prompt should also be considered by those installing systems as an additional safeguard. Regulatory standards to the type of equipment and method of operation should be applied.

### **Calling line identification (CLI) (paragraphs 2.153 to 2.155)**

3.84 The Committee is very encouraged by the public reaction to CLI during BT's trials in Scotland, particularly with regard to the level of conversion of those initially unwilling to accept it. The Committee, in general, would welcome the national and international extension of this service by all operators, as a mutually agreed system which should be paid for by all users as part of the national cost of telephony.

3.85 However, in Northern Ireland, it is expected that there may be a large number of customers requesting that the display of their number to the person they are calling should be blocked for security reasons.

### **Cellular telephones**

3.86 The Committee endorsed the possibility of a Province-wide survey of the cellular telephone network to determine the quality of service provided. This would help to clarify whether indications that the standard of service in the Province is not as good as elsewhere in the UK are accurate. The Committee also favours an examination of cellular charges on the network for unanswered calls or where there is a recorded call system.

### **Numbering choice for the future**

3.87 The Committee felt that it is vital to provide a stable and coherent environment through the 21st century and also to ensure that there is sufficient numbering capacity for BT and new competitive telecommunications services. It was vital that a clear indication be given to enable operators and manufacturers to plan for the future with confidence. The Committee recommended that the system, where possible, should mirror European standards.

### **Provision of directory information**

3.88 The Committee believes that directory information should be made available to all subscribers on paper, in the form of a telephone directory upgraded biennially, and also on voice as the current directory enquiry service. Provision should also be made for access via computer databases.

### **Telephony as a social provision**

3.89 It was agreed that there is a requirement for universal availability of the telephone service, particularly in rural areas. As a generalisation, costs must be borne across the system.

3.90 On the question of emergency services and in recognition of the fact that the costs of this are possibly borne by the consumer, the Committee felt that this should continue. Another area requiring consideration is healthcare for elderly and disabled people.

### **BT's off-peak weekend rate**

3.91 The Committee is delighted that BT has been able to satisfy OFTEL regarding the cost structure of concessionary rates on Sundays. The initial trial period scheme had been well received in Northern Ireland and much satisfaction was expressed by customers with family spread throughout the UK, particularly old people and students. This was beneficial as it ensured better utilisation of the network at the same time as enhancing customer satisfaction. BT and other operators should be encouraged to make fuller use of the network, particularly where this provides additional customer benefits: better utilisation must result in lower charges for all.

### **Telecommunications Advisory Committees (TACs)**

3.92 Three new TACs were formed in Northern Ireland during the year, bring the total covering the Province to 11. These are acting as local monitoring and referral offices. Local queries and suggestions from TACs are readily accepted by the PTOs. The expansion of the TAC network has considerably helped the Committee in discharging its responsibilities.



## Telephone service

3.93 We are pleased to note that Northern Ireland has benefitted significantly from telephony improvements, including the STAR network, which has resulted in increased employment opportunities in 'back office' support services. The Committee and consumers also welcomed Mercury's decision to extend its services to Northern Ireland bringing more choice.

## Complaints and representations

3.94 The overall standard of quality of service provided in Northern Ireland remains very high, with a low level of complaints being made to the Committee. A summary of the representations received is given in Table 3.1.

**Table 3.1** Summary of representations received during 1993

Category of complaint	1993	1992
Disputed accounts	134	158
Billing matters	24	54
Fault repair service	5	9
Provision of service	8	9
Payphones	5	5
Operator services	2	1
Quality of service	18	27
Compensation scheme	7	3
Telephone books	5	6
Customer confidentiality	-	-
Uninvited calls	3	1
Arbitration	-	-
Price changes	-	-
Charges	33	21
Deposits	-	-
Miscellaneous	8	20
<b>Totals</b>	<b>252</b>	<b>314</b>

## MEMBERSHIP OF THE COMMITTEE

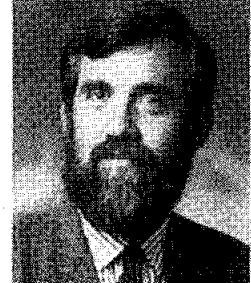
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### *Chairman*

**Mr J L C Thompson BA BBS**

Company Director; Vice President, Royal Ulster Agricultural Society

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### *Members*

**Mr F C Barter (to August 1993)**

Past Chairman, Liquid Petroleum Gas Technical Committee

**Mr W Carruthers OBE**

Managing Director, European Components Corporation Ltd

**Mrs S C Hogg BA (from May 1993)**

Member, Western Education and Library Board

**Mrs M Jefferson MBE (to August 1993)**

Local Government Staff Commissioner

**Mr J A Kerr**

Communications Manager, The Royal Group of Hospitals and Dental Hospital Health & Social Services Trust, Belfast

**Mr J O McDonald MBE MSc JP**

Chief Officer, Labour Relations Agency

**Mrs O M Marshall (to August 1993)**

Past Deputy Chairman, General Consumer Council for Northern Ireland

**Mr G E Mills BSc**

Building Society Manager; Deputy Chairman, General Consumer Council for Northern Ireland

**Mrs M Noble**

Panel Member, industrial tribunals and fair employment tribunals

**Mr J D Thompson MA DL**

Solicitor and Notary Public; Chairman, Southern Health and Social Services Board

### *Secretary*

**Mr R T Jordan OBE JP**

# **REPORT OF THE SCOTTISH ADVISORY COMMITTEE ON TELECOMMUNICATIONS (SACOT)**

SACOT

## **Membership and activity during 1993**

3.95 One new member was appointed by the Secretary of State in March to fill a vacancy. Two members completed their terms of office in September and the appointments of successors to them is awaited. Thus, membership of the Committee at the year end stood at ten. A full membership list appears at the end of this report.

3.96 The Committee held four meetings during the year – in March, June, August and December. Meetings were held in Edinburgh (three) and Banchory, Kincardineshire. We are pleased to record the attendance of senior OFTEL and BT personnel at our meetings, and value their contribution to our work. We were particularly pleased to welcome the Director General and Mr Mike Bett, Deputy Chairman of BT, to meetings.

3.97 Among the main items which we considered during the year, including matters on which we were consulted by OFTEL, were the following:

- 999 calls and the identification of callers
- Review of 999 service
- Charges for directory enquiries
- Education and training for committee chairmen and members
- Provision of BT quality of service information
- Cellular telephone call costs (where call results in a recorded announcement)
- Calling line identification (CLI) and derived services
- Telephone charges and PABX call-queuing systems
- Future numbering policy
- Interconnection and accounting separation
- Replacement of BT's 'Supportline' with new low user tariff
- Cost of telephony as a social provision.

3.98 In April we held our second Scottish TAC Conference in Edinburgh, which focused on the theme of 'competition and choice'. The primary aim of the conference was to give delegates a feel for developments on the competitive front which have taken place within the telecommunications industry in Scotland in recent years.

3.99 Speakers at the conference included representatives from each of the main telecommunications operators in Scotland as well as from OFTEL and Scottish Enterprise. Delegates were given a stimulating glimpse of the role of telecommunications in Scotland's future.

3.100 The conference was attended in the main by representatives from each of the Scottish TACs and senior managers from each of the principal service providers, and also attracted a number of delegates from the Scottish business community. Our next conference will take place in Edinburgh during 1995.

3.101 The Committee Secretariat moved offices within Edinburgh during November. Arrangements are in hand for contact information to be provided in all BT *Phone Books* and on the reverse of BT telephone bills whenever these are reprinted.

## **SACOT views on major issues**

### **Calling line identification (CLI) (paragraphs 2.153 to 2.155)**

3.102 In our response to OFTEL's consultative document on CLI, we expressed the view that the impact of CLI on the privacy rights of customers had not, in our opinion, been fully explored. We also considered that the introduction of CLI seemed to be being driven more by technology than by customer demand.

3.103 Whether our concerns will be shown to be justified remains to be seen, but we are aware that the Director General of OFTEL has received conflicting views from a range of interested parties about the introduction of CLI. We, therefore, strongly urge the Director General to consider these views in greater depth before formulating a definitive policy statement on the matter.

### **The cost of telephony as a social provision**

3.104 We welcomed the opportunity to join a dialogue with the Director General on the extent to which it is appropriate to expect the cost of unprofitable provision in telephony for 'social' reasons to be supported by telephone users generally, and how such provision can be dealt with or regulated in a competitive private sector market.

3.105 Our initial view was that there are many different forms of 'social' obligation in telephony, both for individuals and for wider public benefit. It is unlikely that there would be complete public consensus on which of these should be maintained; and on whether financial responsibility for them should rest with the public telecommunications operators or the Government.

3.106 Therefore, there is danger in rigorously identifying services, or parts of them, where subsidy for social reasons notionally exists. If that piecemeal approach is taken, customers who do not currently benefit from them may take the short term view that they would rather see lower personal telephone bills than continue to contribute indirectly or otherwise towards these aspects of service, albeit that they might in the future benefit from them. We expect to have further opportunity for comment as the discussion gathers momentum.

### **999 calls and the identification of callers**

3.107 We reported on this topic in 1992 and are pleased to record that, following lengthy discussions with BT and the Association of Chief Police Officers in Scotland, revised guidelines have now been issued to all Scottish Police Forces concerning anonymous callers and the use of CLI. We can confirm that, in future, the only circumstances in which the police will approach BT in an attempt to identify an anonymous caller using CLI will be where, for example, there is a perceived risk to life or property.

3.108 More important, however, is the fact that the police have agreed not to contact physically any person identified by CLI, other than after a telephone call has been made to such a person requesting permission for a personal approach to be made.

3.109 We are content that our concerns over the need for the emergency authorities to respect the confidentiality of anonymous callers have at last been recognised, and we are particularly grateful to the Association of Chief Police Officers in Scotland for their co-operation in this matter.

### **Development of telecommunications services in Scotland**

3.110 1993 saw a considerable expansion of telecommunications services in Scotland, particularly on the cable and cellular fronts, and we very much welcome the developments which have taken place. BT and Mercury continued to invest in their Scottish networks resulting in improvements and wider choice of services.

### **Telecommunications Advisory Committees (TACs)**

3.111 We are pleased to record that in 1993 TACs have continued to represent most effectively the interests of telephone users in their areas. The TAC network in Scotland now spans the country, with local committees operating from Shetland to Galloway, and in general users are well represented. However, while

there are no plans at present for extension of this network, we are always prepared to consider proposals for forming new committees where it would seem sensible.

3.112 Equally, we sometimes feel it is appropriate to encourage mergers of adjacent committees for operational reasons. Two such 'mergers' took place in 1993, involving the Glasgow/Dumbarton TACs and the Lothians/Borders TACs where, in both cases, the former absorbed the geographical responsibilities of the latter. Thus, the number of TACs in Scotland now stands at 13 – two fewer than in 1992.

3.113 SACOT has maintained its commitment to ensuring that TACs continue to act as an effective source of support for local telephone users and, to this end, nine TACs were visited by the Secretary or a member of his staff during 1993.

### **Contact with other organisations**

3.114 During the year we continued to maintain close contact with senior management in BT, MCL and United Artists, as the main operators currently providing fixed telephony service in Scotland. Contact with OFTEL and the Advisory Committees for Wales and Northern Ireland was also maintained

**Table 3.2** Summary of representations received during 1993  
(written and telephoned)

<b>Category of complaint</b>	<b>1993</b>	<b>1992</b>
Disputed accounts	369	955
Billing matters (others)	303	516
Fault repair service	92	121
Provision of service	127	174
Payphones	26	16
Operator services	24	34
Quality of service	148	66
Compensation scheme	52	61
Telephone books	44	48
Customer confidentiality	9	12
Uninvited calls	30	8
Arbitration	6	16
Price changes	3	18
Charges	89	241
Deposits	77	122
Miscellaneous	46	191
<b>Total</b>	<b>1445</b>	<b>2599</b>

through attendance by the Chairman and Secretary at meetings and exchanges of correspondence. In addition, the Chairman and/or Secretary held meetings with representatives of the Department of Trade and Industry in London.

### **Complaints and other representations**

3.115 The volume of representations received during the year in respect of telephone service in Scotland showed a further substantial decline (see Table 3.2). Within the total, the number of disputed accounts and other billing matters fell by 54%. There was also a welcome fall in complaints about service provision and fault repair performance: and about deposits and other charges. Unfortunately, dissatisfaction with quality of service appears to have risen slightly. We will monitor this effect.

## **MEMBERSHIP OF THE COMMITTEE**

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### *Chairman*

**Mr W K Begg OBE**

Chairman, Begg, Cousland Holdings Ltd




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### *Members*

**Mrs J M Dickson**

Deputy Officer, residential home for elderly people

**Lady Forbes of Craigievar (to September 1993)**

Chairman, Galloway Post and Telecommunications Advisory Committee

**Mr D A Gardner**

Director, Moray Firth Radio

**Mrs C J Jones BSc ARSM**

Oil exploration geoscientist

**Mr P Michie**

Consultant in total quality management

**Mr J Purvis CBE MA(Hons)**

International business consultant.

**Mrs K Scott DA** (to September 1993)

Manager, Dundee Citizens Advice Bureau

**Dr E Steiner MBChB DPH MFCM MRCP** (from March 1993)

General practitioner

**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

*Secretary*

**Mr R L L King**

## **REPORT OF THE WELSH ADVISORY COMMITTEE ON TELECOMMUNICATIONS (WACT)**

### **Membership and activity during 1993**

3.116 Three members were appointed by the Secretary of State during the year to bring the Committee up to strength but, unfortunately, one new appointee had to resign in November for personal reasons. A full membership list appears at the end of this report.

3.117 WACT met formally on four occasions during the year. The meeting in March at BT Oswestry was followed by a tour of the facility. In June members were present in Cardiff, Swansea, Aberystwyth and Bangor and were linked via the University of Wales Videoconferencing Link. The September meeting at Llandudno followed our Annual Conference. In December the Director General of Telecommunications attended and addressed the meeting in Cardiff. He encouraged the Committee to be more proactive in representing consumers in Wales.

3.118 The Annual Conference of the Committee with representatives of the Telecommunication Advisory Committees (TACs) was held in Llandudno in September. We are grateful to BT and the Post Office for joint sponsorship of this



event. The guest speakers were Mr Geraint Jones, BT's National Manager for Wales, and Mr Bill Wigglesworth, OFTEL's Deputy Director General.

3.119 WACT's Chairman attended the two ACT Chairmen's Group Meetings with the Director General of Telecommunications. This forum is an important element in the liaison process.

3.120 Through our Secretariat we maintained links with many other bodies.

3.121 Key topics considered by the Committee during the year:

- Regulation of premium rate services
- Effect of the Competition and Service (Utilities) Act 1992
- Directory enquiry and printed directory services
- Calling line identification (CLI) and derived services
- Future numbering services
- Transparency of service costs
- Provision of service to special interest groups

## **WACT views on major issues**

### **Regulation of premium rate services**

3.122 WACT did not formally comment as we agreed with the line adopted by ICSTIS, the Independent Committee for the Supervision of Standards of Telephone Information Services, in their revised (sixth) Code of Practice.

### **Competition and Service (Utilities) Act 1992 (paragraphs 2.149 to 2.152)**

3.123 WACT agreed with the decision to defer the introduction of billing dispute regulations, particularly since the level of complaints to us have dropped markedly since BT's internal complaints procedures were improved.

### **Calling line identification (CLI) (see paragraphs 2.153 to 2.155)**

3.124 WACT welcomed the availability of public CLI, which it feels will offer real extra functionality to subscribers. The service can also impart greater confidence in responding to the telephone. There are privacy implications but we agree that these can, given care now, be handled.

### **Directory enquiry and printed directory services (paragraphs 2.43 to 2.47)**

3.125 WACT had some fears that, if the eventual proposal were to expand BT's database to service all the other PTOs then, although OFTEL might well be able

to regulate the price effectively, there could be breaches of commercial confidentiality, in that BT could see the range and extent of their competitors' numbers. Additionally, any existing investment in directory enquiry services by other PTOs would become redundant.

3.126 If a directory call-handling agency were set up there was some concern about how the costs would be recovered.

### **Future numbering policy (paragraphs 2.34 to 2.37)**

3.127 WACT welcomed the general thrust of OFTEL's consultative document. It is particularly important for OFTEL to ensure that numbers are not used by service providers as an anti-competitive weapon.

3.128 We found it helpful to distinguish between **physical** numbers such as the present fixed network numbers where the number essentially identifies a specific piece of equipment which can be addressed, and **logical** numbers which identify services and people. Each logical number will (at any given time) be routed to a physical number, that of the instrument currently providing the service, or on which the person can be contacted.

3.129 Most of our current use is of physical numbers but we expect that the greatest growth will be of logical numbers. Indeed, we predict that eventually the physical number will not normally be used, except by the network for call routing. Portability will be crucially important for logical numbers, needing some database mechanism. In the short to medium term portability should also be supported for physical numbers, presumably by some re-direction mechanism.

3.130 Everything should be done to make the eventual system as consistent as possible, to ease comprehension and maximise the opportunities it can bring. It would then be desirable to phase out lingering quirks in the present scheme as soon as possible.

### **Transparency of service costs (see paragraphs 2.5 to 2.8)**

3.131 WACT agreed with the views expressed in OFTEL's consultative document but thought that charges for competitors should be the same as for BT's internal divisions. This should be calculated on an average cost in order to protect customers in high cost areas.

### **Telecommunication infrastructure in Wales**

3.132 The Committee was pleased to note that there now appears to be the prospect of a cable telephony service in the Newport, Cardiff and West Wales

areas which will be specifically targetted at residential customers. This should introduce a true element of choice for customers.

3.133 We were disappointed to note that some of the services are slow in reaching Wales. For example, Mercury One-2-One is initially operating within the M25 and Ionica has no plans for developing its radio-based service in Wales.

### Telecommunications Advisory Committees (TACs)

3.134 It is to be regretted that the Mid and South Glamorgan TACs are still not able to function because of financial constraints.

### Bi-lingual policy in Wales

3.135 BT now recognises the importance of the Welsh language and its position in everyday life in Wales. Its policy is that any customer wishing to conduct business with BT in Welsh should be able to do so at any time. Customers may phone a specific Welsh language freefone service or may request Welsh to be used when phoning general service numbers. It will also provide written communications in Welsh on request. WACT welcomes the fundamental policy and supports the way in which it has been implemented. It believes that free choice of this kind is preferable to a system under which all customers must pre-register a language preference or receive bi-lingual written communication.

**Table 3.3** Summary of representations received during 1993

Nature of representation	1993	1992
Disputed accounts	101	320
Billing matters	282	384
Fault repair service	60	92
Provision of service	75	82
Payphones	12	24
Operator services	10	19
Quality of service	30	43
Compensation scheme	16	28
Telephone books	25	24
Customer confidentiality	2	6
Uninvited calls	14	21
Arbitrations	3	2
Price change	16	10
Charges	101	139
Deposits	7	7
Miscellaneous	491	505
<b>Totals</b>	<b>1245</b>	<b>1699</b>

## Complaints and representations

3.136 The welcome trend towards PTOs dealing much more effectively with their own complaints and queries means that the number reaching our office is still falling. The most significant reduction is in those concerning disputed accounts, which fell by almost 70% (see Table 3.3).

3.137 It is, however, equally true that the representations which do reach us tend to be more difficult and, perhaps, intractable and usually require more time and research to work out a solution. We would like to record our thanks to BT's staff in Wales and to OFTEL in London for the help we have received to enable us to deal with these representations.

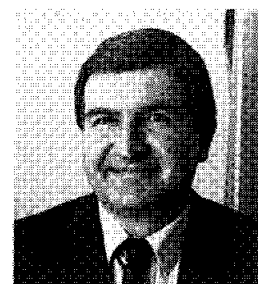
## MEMBERSHIP OF THE COMMITTEE

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### *Chairman*

#### **Professor M D Tedd MA CEng MBCS**

Professor of Computer Science, University College of Wales,  
Aberystwyth



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### *Members*

#### **Mr J Bannon**

Owner of John Bannon Properties, commercial investment and redevelopments

#### **Mrs P J Blackwell**

Organiser, WRVS Welfare for the Elderly, Powys

#### **Mr C I Cooke** (appointed April 1993, resigned November 1993)

Chairman, Triplex Lloyd plc

#### **Mr D R Dutton**

Member, Post Office Users' Council for Wales

#### **Mr G S Hall**

Chief Executive, Wales Chamber of Commerce

#### **Mr D T Jones**

Principal Tutor, North East Wales Institute of Higher Education

#### **Mr G Jones** (appointed May 1993)

Self-employed engineer

#### **Mr J Lloyd-Jones** (appointed May 1993)

Vice President, National Farmers' Union in Wales

**Mr J C Maynard BSc CEng MBCS**

Information Technology Manager, Welsh Water plc

**Mr L C Murphy JP**

Member, National Association of Local Councils, Welsh Committee

**Professor J J O'Reilly BTech PhD CEng FIEE CPhys FInst P BMIEEE**

Director, School of Electronic Engineering Science, Bangor

**Miss G M Williams FRMA**

Finance Officer, Royal National Eisteddfod of Wales

*Secretary*

**Mr G J Mackenzie**

WACT



## APPENDIX

# BACKGROUND STATISTICS

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

The tables in this appendix and some of the tables in Part Two – **OFTEL's Activities** – are updated versions of the tables previously contained in Appendix 3 of the *OFTEL Annual Report*. In 1993 OFTEL began a review of the statistical information published by OFTEL and started work on achieving comparable statistics for the performance of the different public network operators (see paragraph 2.167). These initiatives may well result in different information being published in future *OFTEL Annual Reports*.

**1 TELEPHONE PENETRATION RATES**

Percentage of households with a telephone  
(1972, 1980–1992 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

Source: OPCS – General Household Survey

**2 BT's EXCHANGE CONNECTIONS AND CALLS**

**2.1** BT's exchange connections in service by type of subscriber  
(1980–1993 United Kingdom)

Year (at 31 March)	Total exchange connections (000s)	Residential customers (000s)	Business customers (000s)
1980	17,353	13,937	3,416
1981	18,174	14,671	3,503
1982	18,727	15,159	3,568
1983	19,186	15,546	3,640
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	25,595	19,729	5,866
1993	26,084	20,114	5,970

Source: BT



**2.2 BT's public and private rented payphones in service  
(1980, 1984, 1986–1993 United Kingdom)**

<b>Year (at 31 March)</b>	<b>Public payphones (000s)</b>	<b>Private rented payphones (000s)</b>
1980	77	286
1984	77	286
1986	77	296
1987	78	306
1988	–	–
1989	86	358
1990	90	286
1991	96	260
1992*	105	242
1993	110	215

**Note:** The private payphone market was liberalised in April 1988.  
\* Revised figures  
**Source:** BT

**2.3** The number, and annual percentage growth, of effective BT telephone calls by type (1980–1993 United Kingdom)

Year (ending 31 March)	Inland		International	
	Total (millions)	% growth over previous year	Total (millions)	% growth over previous year
1980	19,857	6	106	22
1981	20,175	2	117	13
1982	20,806	3	132	14
1983	21,403	3	148	11
1984*	22,686	6	173	12
1985	n/a	8	n/a	14
1986	n/a	7	n/a	11
1987	n/a	7	n/a	11
1988	n/a	8	n/a	14
1989	26,582§	11	n/a	13
1990	28,529§	10	n/a	13
1991	28,887§	4	n/a	6
1992	30,414§	1	485§	4
1993	29,757§	–	483§	6

**Notes:**

\* The 1984 figure is the basis of percentage increases in call volumes in subsequent years.

§ These figures are OFTEL estimates and are not consistent with the percentage growths as BT base their estimates on call minutes rather than numbers of calls.

n/a not available

**Source:** BT

### 3 BT's QUALITY OF SERVICE FIGURES

#### 3.1 Network reliability (1983–1993)

Year to 31 March	Local calls failed* %	National calls failed* %	Network only faults per annum %
1983	2.7	5.9	n/a
1984	2.4	5.1	n/a
1985	2.0	4.4	n/a
1986	1.7	4.1	0.20
1987 Mar§	2.2	5.4	0.25
1987 Sep§	2.2	4.3	0.20
1988 Mar§	1.9	3.6	0.22
1988 Sep§	1.7	3.5	0.19
1989 Mar§	1.4	2.4	0.21
1989 Sep§	1.1	1.7	0.17
1990 Mar§	1.0	1.2	0.25
1990 Sep§	0.6	0.7	0.16
Oct'90-Mar'91#	0.54	0.82	0.19
Apr'91-Sep'91#	0.34	0.52	0.16†
Oct'91-Mar'92#	0.26	0.3	0.18†
Apr'92-Sep'92#	0.20	0.28	0.16†
Oct'92-Mar'93#	0.15	0.21	0.18†
Apr'93-Sep'93#	0.11	0.14	0.15†

**Notes:**

- \* Failed because of defective equipment or congestion
- § Figures for 1987–1990 are for the months of March and September only and cover daytime call failures only.
- # Figures from October 1990 refer to six month periods and cover daytime and evening call failures.
- † Definition changed to 'Customer reported network faults per line per annum'.
- n/a Comparable figures are not available.

**Source:** BT

## 3.2 Fault repair service (1983-1993)

Year to 31 March	Percentage of faults cleared:			
	By end of next working day*		Within two working days†	
1983	85.1		n/a	
1984	85.7		n/a	
1985	89.9		n/a	
1986	87.1		n/a	
1987 Mar§	n/a		73.9	
1987 Sep§	n/a		86.5	
1988 Mar§	n/a		90.2	
1988 Sep§	n/a		91.6	
1989 Mar§	80.8		94.6	
1989 Sep§	86.3		96.2	
1990 Mar§	77.5		90.1	
1990 Sep§	91.4		97.9	
	<b>Business†</b>	<b>Residential†</b>	<b>Business‡</b>	<b>Residential‡</b>
Oct'90-Mar'91#	86.3	81.5	95.6	
Apr'91-Sep'91#	87.2	85.9	99.3	98.3
Oct'91-Mar'92#	87.9	85.8	99.4	98.6
Apr'92-Sep'92#	83.0	81.7	98.7	98.0
Oct'92-Mar'93#	83.2	76.4	98.3	95.3
Apr'93-Sep'93#	86.3	80.2	98.9	96.8

**Notes:**

\* Basis for calculation changed in 1987 from end of next working day to within two working days.

§ Figures for 1987 onwards are for the months of March and September only.

† From October 1990 this category became 'Percentage of business faults cleared within 5 working hours' and 'Percentage of residential faults cleared within 9 working hours'.

‡ From September 1991 onwards this category was split into business and residential. From April 1991 the definition was changed to 'Percentage of faults cleared within two working days or by successful appointment'.

# From October 1990 onwards the statistics refer to the six month period rather than just March or September.

n/a not available

Source: BT

**3.3 Operator service and directory enquiries (1983–1993)**

<b>Year to 31 March</b>	<b>Operator calls answered in 15 secs %</b>	<b>Directory enquiries:<sup>*</sup> answered in 15 secs %</b>
1983	86.8	n/a
1984	86.0	n/a
1985	84.6	n/a
1986	85.6	74.0
1987 Mar <sup>§</sup>	83.5	77.0
1987 Sep <sup>§</sup>	79.4	75.1
1988 Mar <sup>§</sup>	86.7	81.2
1988 Sep <sup>§</sup>	80.5	81.3
1989 Mar <sup>§</sup>	86.1	85.1
1989 Sep <sup>§</sup>	80.6	82.6
1990 Mar <sup>§</sup>	87.7	86.4
1990 Sep <sup>§</sup>	85.1	86.0
Oct'90-Mar'91 <sup>#</sup>	88.8	89.4
Apr'91-Sep'91 <sup>#</sup>	90.1	94.1
Oct'91-Mar'92 <sup>#</sup>	94.0	92.8
Apr'92-Sep'92 <sup>#</sup>	91.4	83.7
Oct'92-Mar'93 <sup>#</sup>	93.0	92.5
Apr'93-Sep'93 <sup>#</sup>	91.0	89.3

**Notes:**

<sup>\*</sup> Basis changed from 25 to 15 seconds in 1987. Comparable figure for 1986 is included.

<sup>§</sup> Figures for 1987 onwards are for the months of March and September only.

<sup>#</sup> From October 1990 onwards the figures relate to a six month period.

n/a not available

**Source:** BT

## 4 MERCURY'S QUALITY OF SERVICE

## 4.1 Availability of service (1987-1993)

Year and quarter	Average availability of all circuits:		Circuits with availability more than 99.5%:	
	Mercury faults only* %	All outages %	Mercury faults only* %	All outages %
1987				
fourth	99.9	99.7	96.9	94.7
1988				
first	99.9	99.9	96.8	94.9
second	99.9	99.8	98.3	97.1
third	99.9	99.8	98.0	94.1
fourth	99.9	99.8	98.5	94.5
1989				
first	99.9	99.9	98.4	96.6
second	99.9	99.8	96.6	90.8
third	99.9	99.8	97.1	90.6
fourth	99.9	99.8	96.7	93.9
1990				
first	99.9	99.8	96.3	93.0
second	99.9	99.8	96.9	92.2
third	99.9	99.8	96.2	91.6
fourth	99.9	99.8	95.9	93.9
1991				
first	99.9	99.8	97.2	95.5
second	99.9	99.8	97.9	96.2
third	99.9	99.6	98.5	93.9
fourth	99.9	99.8	96.0	94.5
1992				
first	99.82	99.75	96.83	95.59
second	99.90	99.85	97.35	95.06
third	99.91	99.89	97.24	96.07
fourth	99.98	99.96	98.88	98.10
1993				
first	99.99	99.98	99.67	99.52
second	99.98	99.97	99.72	99.59
third	99.98	99.97	99.60	99.49
fourth	99.99	99.98	99.76	99.66

**Notes:**  
Table shows availability of each directly-connected customer circuit.  
\* Excluding planned outages (normally arranged to minimise the effect on customers) and those due to other administrations.

**Source:** Mercury

**4.2 Incidence of faults and service restoration time (1988–1993)**

Year and quarter	Faults per line*† %	Faults per circuit§‡ %	Faults attended within 4 hours %	Service restored within:	
				4 hours %	48 hours %
1988					
first	0.456	0.456	86.5	n/a	96.9
second	0.456	0.336	84.2	n/a	98.4
third	0.336	0.312	88.1	n/a	98.9
fourth	0.348	0.228	90.4	n/a	98.0
1989					
first	0.384	0.264	–#	n/a	97.3
second	0.348	0.216	–#	n/a	96.6
third	0.324	0.228	–#	n/a	96.3
fourth	0.240	0.180	81.5	n/a	95.3
1990					
first	0.276	0.168	79.8	67.5	94.8
second	0.228	0.144	82.0	66.6	95.2
third	0.216	0.168	77.9	62.9	93.2
fourth	0.204	0.144	81.7	60.5	91.8
1991					
first	0.228	0.168	80.3	62.4	95.1
second	0.192	0.156	76.7	63.7	93.8
third	0.192	0.132	78.8	64.5	93.3
fourth	0.192	0.120	77.5	66.5	93.6
1992					
first	0.156	0.084	79.0	64.4	90.6
second	0.144	0.096	78.8	65.8	91.4
third	0.120	0.060	77.7	68.1	93.6
fourth	0.084	0.024	76.6	71.7	95.2
1993					
first	0.072	0.181	78.1	74.5	95.8
second	0.066	0.208	77.6	73.6	96.2
third	0.066	0.337	77.8	72.4	95.9
fourth	0.046	0.157	81.5	71.9	95.5

**Notes:**

- 1 The figures previously published for faults attended and service restoration were based on samples. These have been recalculated.
- 2 Mercury 2100 switched telephone service, national and international leased services and Mercury 2110 Centrex services except where otherwise indicated.

\* Direct switched 2100 service.  
§ National private leased.  
# Data not consistent with other periods.  
† These statistics have been altered to show the average annualised figure for the given quarter rather than the previously reported monthly average per quarter.  
‡ The basis on which statistics for years prior to 1993 were calculated have changed. The statistics are now based upon the actual number of circuits, not 64 kbit equivalent, and are therefore not comparable to previous years data sets.  
n/a not available

**Source:** Mercury

## 4.3 Directory enquiries service (1989–1993)

Year and quarter	Percentage answered in 15 secs*
1989	
first	83.4
second	85.2
third	78.8
fourth	82.7
1990	
first	97.0
second	93.7
third	85.7
fourth	79.3
1991	
first	83.7
second	96.6
third	92.6
fourth	92.6
1992	
first	65.5
second	46.8
third	51.3
fourth	55.6
1993	
first	82.7
second	80.8
third	58.5
fourth	80.9

**Note:**  
\* Of all calls reaching the service, the percentage which were answered within 15 seconds.

**Source:** Mercury



#### 4.4 Provision of service (1990-1993)

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

**Note:**  
\* Direct services combined  
**Source:** Mercury

**4.5 Payphones (1991–1993)**

<b>Year and quarter</b>	<b>Overall service availability %</b>
1991	
first	99.5
second	97.9
third	98.3
fourth	98.6
1992	
first	99.5
second	99.0
third	98.9
fourth	99.4
1993	
first	99.2
second	97.8
third	98.2
fourth	97.8

**Source:** Mercury

**5 TELEX AND FACSIMILE SERVICES**

**5.1 Number of telex exchange connections (BT only)  
(1980–1993 United Kingdom)**

<b>At 31 March</b>	<b>Number of exchange connections (000s)</b>
1980	85.8
1981	87.9
1982	90.4
1983	90.6
1984	92.9
1985	97.0
1986	104.3
1987	111.5
1988	116.2
1989	111.1
1990	98.6
1991	79.8*
1992	63.5
1993	45.4

**Note:** \* Revised figure  
**Source:** BT

**5.2 Estimated numbers of facsimile terminals (1986–1993) United Kingdom**

	<b>Number (000s)</b>
December 1986	86
December 1987	173
December 1988	370
December 1989	556
December 1990	750
December 1991	900
December 1992	1005
December 1993	1200

**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 (1980-1992)

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	48	24	35

**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

**Sources:**  
 1981-1985: The Monopolies and Mergers Commission, British Telecommunications plc and Mitel Corporation, a report on the proposed merger, HMSO 1986 (Cmnd 9715)  
 1986-1992: MZA Consultants

**6.2 Proportion of new telephones and telephone answering machines supplied by BT (ex manufacturers' deliveries) (1984-1992)**

<b>Year to 31 March</b>	<b>Telephones %</b>	<b>Telephone answering machines %</b>
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

**Notes:**  
 \* 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

## 7 MERCURY GROWTH STATISTICS

## 7.1 Mercury capital investment and network growth (1984–1993)

	Cumulative capital investment* (£m)	Towns with one or more Mercury node§	Mercury access areas†
March 1984	10	–	–
March 1985	90	6	–
March 1986	140	25	–
March 1987	295	38	66
March 1988	498	51	103
March 1989	785	67	118
December 1989	n/a	76	231#
March 1990	1082	85	231
September 1990	n/a	n/a	258
March 1991	1427	85	278
September 1991	1633	n/a	300
March 1992	1869	90	n/a
September 1992	2060	n/a	350
March 1993	2254	114	n/a
September 1993	2430	n/a	456

**Notes:**

\* Includes expansion of the network, customer installations and investment in joint venture businesses.

§ A node is a point of access for directly connected Mercury customers. Mercury's licence determined that service should be provided to 19 locations by November 1989.

† Mercury access areas are national code areas in which choice of Mercury network routing is available from BT exchange lines.

# Increase reflects extension of interconnect arrangements to provide full local extended ingress.

n/a not available

Source: Mercury

**7.2 Mercury traffic volume\* (1987–1993)**

	<b>Volume (millions)</b>
March 1987	0.05
March 1988	0.3
March 1989	1.3
September 1989	2.1
March 1990	2.9
September 1990	3.7
March 1991	5.2
September 1991	6.4
March 1992	8.2
September 1992	9.6
March 1993	11.2
September 1993	12.6

**Notes:**  
\* Telephone call volume (outgoing paid PSTN calls) per working day  
**Source:** Mercury

## 7.3 Ordered PSTN lines\* by type of Mercury service (1987-1993)

	Numbers of lines:		
	2100§ (000s)	2200# (000s)	2300† (000s)
March 1987	5	2	-
March 1988	26	12	6
March 1989	58	52	15
December 1989	89	100	28
March 1990	98	128	35
September 1990	119	201	53
March 1991	127	264	90
September 1991	142	364	139
March 1992	161	421	200
September 1992	173	479	243
March 1993	190	535	336
September 1993	204	545	431

**Notes:**  
\* Cumulative numbers of lines (including some not installed by date shown)  
§ Directly connected service for larger businesses  
# Indirectly connected service for small and medium sized businesses  
† Indirectly connected service for single line residential and small business customers  
**Source:** Mercury



**7.4 Mercury payphones (1989–1993)**

	Number of payphones*
March 1989	200
March 1990	600
September 1990	3200
March 1991	4495
September 1991	4697
March 1992	4598§
September 1992	4444
March 1993	3500
September 1993	2353

**Notes:**

\* Cumulative installations

§ The payphone base was reduced as a consequence of dissolving the relationship with GEC Plessey Telecommunications Limited's Paytelco consortium.

**Source:** Mercury





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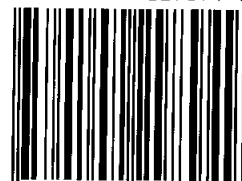
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