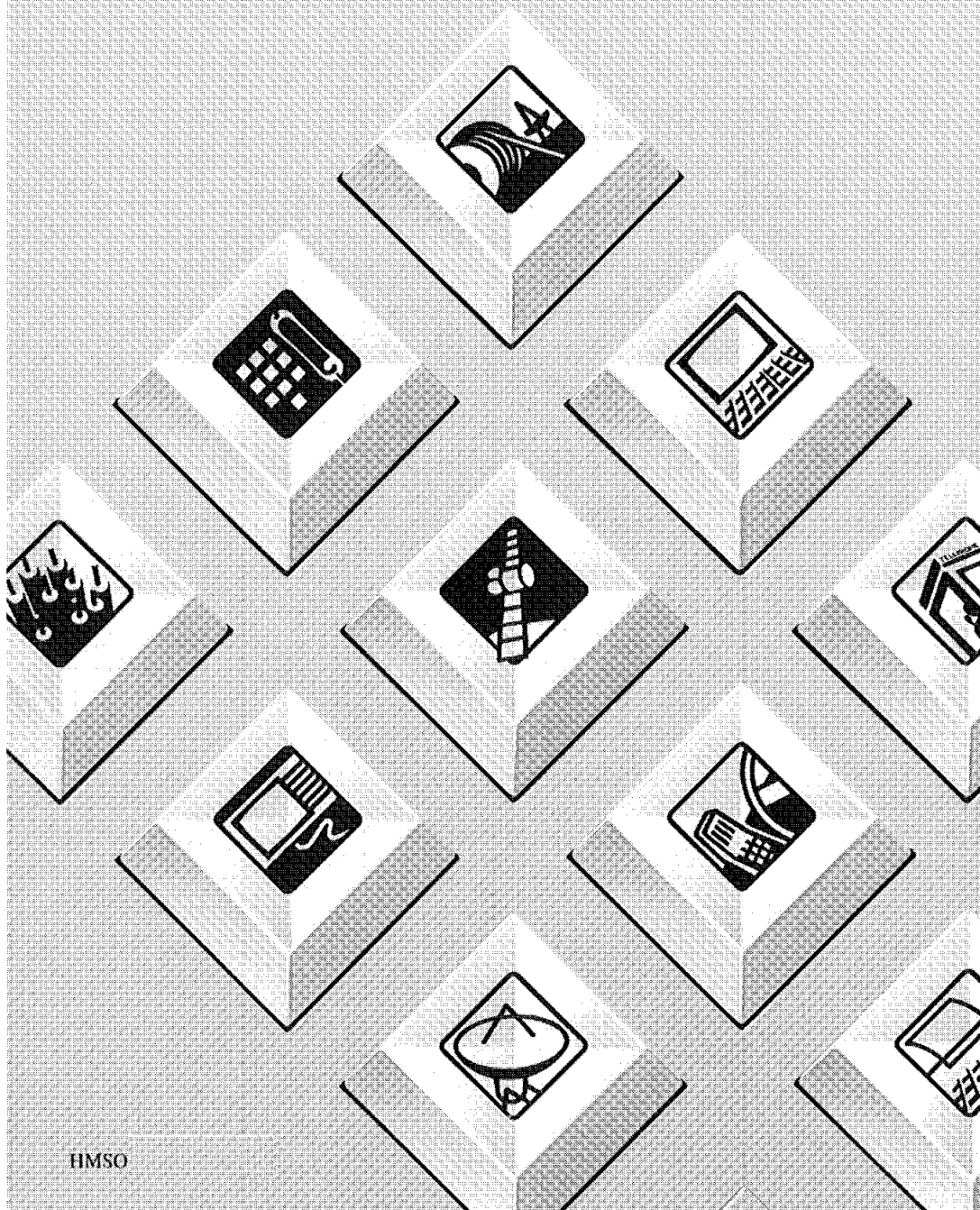


FIRST REPORT

5 AUGUST — 31 DECEMBER 1984



Report of the Director General of Telecommunications

for the period 5 August to 31 December 1984
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 to be printed
3 July 1985*

LONDON
HER MAJESTY'S STATIONERY OFFICE

ISBN 0 10 245785 9

Report of the Director General of Telecommunications to the Secretary of State

I am required, by section 55 of the Telecommunications Act 1984 (the Act), to make to you an annual report made up 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 5 August 1984 (when the relevant parts of the Act came into force) to 31 December 1984. In the first section, I comment generally on my activities during the period. The second section contains information on the formation and structure of the Office of Telecommunications (OFTEL). Sections 3-6 describe OFTEL's activities and Section 7 contains the reports of the three statutory advisory committees on telecommunications (ACTs) so far established.

No references were made by me to the MMC during 1984.

Bryan Carsberg
15 April 1985

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SECTION ONE

Consumers, competition, communication

Director General's Statement

1.1. This is the first report of a Director General of Telecommunications in the United Kingdom. I was appointed to that office for a period of three years commencing on 1 July 1984 and my responsibilities came fully into effect on 5 August 1984.

1.2. The Act sets out my responsibilities. It gives me a number of functions, including the administration of procedures for enforcing the provisions of licences under which telecommunication systems are operated, the modification of those licences, certain functions under the Fair Trading Act 1973 and the Competition Act 1980, which are also exercisable by the Director General of Fair Trading, giving advice to the Secretary of State on various matters, publishing advice for the benefit of consumers of the telecommunications industry, and investigating complaints.

1.3. In carrying out my functions I must pay attention to certain duties set out in the Act. First and foremost, I must do what I can to secure the provision of all telecommunication services for which there is a reasonable demand; and I must try to ensure that those who provide such services are able to finance them. Then I must pay attention to a number of subsidiary duties: I must promote the interests of consumers in respect of the prices, the quality and variety of telecommunication services; I must maintain and promote effective competition in the industry; I must promote efficiency and economy and the undertaking of research and development; and I have a number of duties concerned with the promotion of effective competition by UK organisations in international trade, including the duty of enabling the producers of services and apparatus to compete effectively outside the United Kingdom.

1.4. The key focus of my duties is to promote the interests of the consumers of telecommunication services and the users of apparatus. In some cases, the effect of my activities on consumers is clear and direct, as when I am investigating a complaint about a service provided to them. In other cases, however, the effect is indirect. I am required to promote competition because this is an important means—in many cases the best available means—of bringing benefits to consumers: competition provides an incentive to charge a fair price, related to the costs of

supplying apparatus or providing a service; and competition provides a strong incentive to use innovative technology in providing new kinds of services—for experience shows that the richest rewards often go to those who use their ingenuity to provide an innovative service at a reasonable price.

1.5. However, unconstrained competition is not the best answer in all aspects of the telecommunication industry. For example, this point underlies the Government intention to allow only Mercury Communications Limited (Mercury) to compete with British Telecommunications plc (BT) in the provision of basic voice telephony, at least up to 1990. If many entrants had been allowed into this market immediately, the result might have been a waste of resources that would have imposed extra costs on consumers and disrupted confidence in the industry to the possible detriment of competition in the long term. Accordingly, although I believe that a presumption exists in favour of competition, and careful consideration must be given to the justification for any inhibitions of competition, nevertheless some planning of the path to competition and some limitation of the ultimate scope of competition is likely to be in the public interest.

1.6. I attach a high priority to my duty to promote effective competition and I have quickly come to believe that this is one of the most important and urgent of the duties laid upon me by the Act. BT is competing in a large number of spheres of activity in the telecommunications industry from a position of significant initial strength, resulting from such factors as its established reputation and its established customer base, supported by a selling organisation of extensive scope. Understandably, many organisations have been apprehensive about the possibility of effective competition in this situation.

1.7. To provide the best possible assurance that effective competition will be possible, with a view to encouraging extensive participation in the market, I decided that I must develop an active programme. I published a consultative document setting out my plans and inviting comments about other actions that were needed. My programme had three elements. First, the document explained the rules for fair competition, incorporated in BT's licence and other aspects of the regulatory framework, and called on people to provide me with information if they became aware of any breaches of those rules. Secondly, I asked BT to work with me to develop a statement of guidelines to inform their own employees about the fair trading rules. Many people have felt that the effective communication of the elements of the new regime to BT's numerous employees is one of the key factors that will determine its success. The third element in my programme was the announcement that I would undertake a study, after the new regime had been in effect for about a year, seeking examples of breaches of

licence conditions. Only if I have actively looked for breaches of licence conditions and failed to find them can people be confident that fair trading has become a reality.

1.8. I was very pleased that BT agreed to work with me in the development of a statement of guidelines for its employees. Work on the statement was started before the end of the year; I shall also seek to reach agreement with BT about a plan for drawing the guidelines to the attention of its employees. A preliminary analysis of the comments received on my consultative document before the end of the year indicated widespread support for the programme I had developed.

1.9. Practices which may inhibit effective competition are the subject of numerous complaints and enquiries that are received by my staff. Most of them relate to the rules against undue discrimination or preference, rules against linked sales, abuses of the confidentiality of customer information, and application of the complex rules governing the provision and use of customer wiring. All complaints are investigated thoroughly and taken up with the firm that is the object of the complaint. None of the complaints investigated during 1984 have led to identification of a breach of a licence condition. Several of the complaints have, however, led to discussions with BT about its practices on such matters as the provision of maintenance services and the application of the wiring rules and these have been helpful in clarifying policies. In the case of wiring, my staff have been working on the preparation of a booklet with the objective of reducing the apprehension that the rules may not be applied even handedly as well as explaining exactly what the rules are.

1.10. One difficulty I have noticed in the investigation of complaints is that some of those who complain show a reluctance to allow us to inform BT of their names. They apparently fear discrimination or simply the disruption of friendly working relationships. I have explained to people the strong sanctions that exist against discrimination if it takes the form of poor quality of service. However, because of the general difficulty, I have given an undertaking that any complaint I receive will be treated in confidence if the complainant requests it. I might not be able to use all of my powers in dealing with a case in which the name has to be kept confidential, but I nevertheless find it helpful to have information about such cases so that I can build up a picture of the concerns of people in the industry and seek assurances from BT about its procedures. In these circumstances, I have to avoid any firm assumption about the validity of the complaint. I hope that the concerns that have caused complainants to request anonymity will diminish as people become more aware of the determination of BT's own top management to avoid unfair trading practices; but the existence of these

concerns emphasises the importance of my undertaking a study seeking evidence of licence abuses independently of information provided by complainants.

1.11. One complaint seems worthy of special mention. It concerns radiopaging and was made by BT's four competitors in the provision of radiopaging services. The complaint was that BT's practice of joint billing for radiopaging services and basic telephone services and its method of charging for radiopaging services give it an unfair advantage and therefore inhibit effective competition. BT has already undertaken to introduce separate billing as soon as possible but its competitors wish to apply pressure to speed up the process. I have started an investigation to establish whether or not the practices complained of involve a breach of any licence condition, including in particular the conditions that prohibit cross subsidisation and undue preference, and whether or not these practices are undesirable for other reasons.

1.12. A key condition of BT's licence requires it to separate the accounts of its systems business, its apparatus business, and its other businesses. I have commenced discussions with BT on the accounting arrangements it proposes to make and the timetable for the introduction of those arrangements. The licence requires this process to be concluded as soon as practicable and in any case before 1 April 1987. The requirement is an important one because it provides the means for checking observance of the provision against unfair cross-subsidisation. I shall therefore bring all possible pressure to bear in expediting the process, emphasising that the date in 1987 is simply a longstop and that the real obligation is to complete the accounting developments as soon as practicable.

1.13. I am not yet satisfied with the code of practice drafted by BT, in accordance with Condition 38 of its licence, to lay down a framework for the protection of the confidentiality of information about its customers. I have consulted with a number of representative associations about this code and they have advised me about the need for amendments. If there is to be effective competition between BT and others in the supply of apparatus, it is imperative that BT's apparatus supply business should not have access to, or make use of, sales leads obtained through its systems business. If agreement cannot be reached on this code, I have power to determine it.

1.14 Effective competition in the provision of basic transmission services is an essential ingredient of the Government's strategy for telecommunications. During 1984, Mercury provided the only competition to BT in this field. The terms on which it is able to connect its emerging network with BT's established one will be fundamental to the effectiveness of competition. I have been awaiting with interest the

outcome of the negotiations between BT and Mercury on the terms of interconnection and I was disappointed that at the end of the year agreement had not yet been reached. Conditions 12 and 13 of the Mercury and BT operating licences give each of them the right to have its systems connected with the other's systems and give me the power to determine the terms and conditions of that interconnection if the parties themselves are unable to agree within a reasonable period of time. I shall make that determination if necessary. If I do so, I shall have regard to my duties under section 3; my aim will be to promote effective competition in the interests of consumers, not simply to seek a compromise.

1.15. My concern for competition was the main reason for my advice to you in October against granting a licence to BT and IBM to run a joint venture providing managed data network services. A growing demand exists for services of this kind, and I believe that their provision should be permitted and indeed encouraged subject to appropriate conditions. However, I concluded that a supplier of the size and power of a joint venture between BT and IBM would inhibit the entry to the market of other suppliers and therefore restrict competition in a way that would ultimately be against the interests of telecommunication users.

1.16. I have formed close links with the advisory committees which you have established in Northern Ireland, Scotland, and Wales. Both through them and directly I am receiving and dealing with comments and complaints from consumers. Preparations, in the form of consultation with other bodies, are well advanced for the appointment of my advisory committees on the needs of the elderly and disabled and on the needs of small business.

1.17. One aspect of my responsibilities that is of direct importance to consumers concerns the terms of the new contracts under which BT now provides services and the provisions of the related code of practice for consumer affairs. Condition 27 of BT's licence requires it to consult with me on its code of practice and it has done so. In the short time allowed by the licence I was able to seek the views of only a small number of associations representing consumer interests. The new code is essentially a revision of the previous code, amended to take account of BT's change of status to a public limited company and the provision of services under contracts. BT has made a number of changes in the code which will be helpful to the consumer including, at my request, the raising to £1,000 of the limit of disputed accounts which can be settled by a simplified procedure involving arbitration.

1.18. I shall be keeping the code of practice for consumer affairs and the operation of BT's contracts under review. One part of the contracts which has concerned me particularly is the exclusion of certain kinds of liability to customers. I shall ask the four national advisory committees

on telecommunications to consider the way in which the new arrangements are working in practice and in particular to advise me on whether or not the exclusion of liability is working to the disadvantage of customers.

1.19. BT's licence contains a rule restricting average price increases for the rental of exchange lines and direct-dialled inland telephone calls to three percentage points below the rate of increase in the retail price index. BT gave me notice in October of its intention to increase these prices with effect from early November. I undertook a thorough investigation of the new prices. My staff held several meetings with BT to review the details of the computations; I sought statistical advice on the estimation of revenues needed as a base for the computation of the average price increase; and I called for an audit report on the computations. This investigation had not been completed at the end of the year. Although it was a matter of urgency, I considered that I should give paramount importance to the undertaking of the most careful investigation on this, the first occasion on which the new pricing rules had been applied, and I had not been fully satisfied by the end of the year. If any breach of the licence condition had been discovered, subsequent action would have been taken to correct the situation.

1.20. I have received a number of complaints about other prices for which BT has a virtual monopoly but which are not controlled by any licence condition. I have had to consider my general policy with regard to such items. I take the view that BT has a privileged position in the supply of these services and that it cannot expect to be free from all controls in relation to the prices it charges; furthermore I have a statutory duty to investigate complaints. At the same time, I must recognise that BT should have a reasonable amount of commercial freedom and I must resist the temptation to investigate all its prices in areas where there is no reason to suspect an abuse of the monopoly position. Consequently, I have decided that I must conduct an investigation of prices that are the subject of formal complaints or that are singled out for attention by other factors such as a very large rate of price increase. At the end of the year, I was assessing priorities with a view to selecting one or two items for immediate investigation. As new concerns develop and existing concerns change in emphasis, I expect to undertake further work in this area without attempting comprehensive investigations of all relevant prices.

1.21. I attended the debates in the House of Commons and the House of Lords last July on the orders designating BT and Kingston upon Hull City Council (Hull) as public telecommunications operators (PTOs) and took careful note of the strongly felt concerns for the maintenance of the quality of services in rural areas and services provided from public call boxes. I believe that more information is needed about the requirements

of customers in rural areas before a detailed judgement can be made about the level of satisfaction obtained from existing services. Consequently, and at the suggestion of the Chairman of the Wales Advisory Committee, I have agreed to sponsor a study of rural services and needs in part of Wales. Arrangements for starting this study were in hand at the end of the year.

1.22. I have indicated, in a number of speeches, that I should need to be convinced by strong arguments before using my discretion under Condition 11 of BT's licence to relax the constraints on the closure of public call boxes. I have expressed the hope that BT will rather try to modernise call boxes so as to improve the quality of service provided by them and also make them less expensive to run. Consequently I have been particularly pleased by BT's recent announcement of a programme of significant new investment in call boxes. I did not agree to the closure of any call boxes during 1984, though I was aware of cases in which call boxes were closed in circumstances that did not require my agreement.

1.23. Another area of direct importance to customers, and on which concern has been expressed, is the general quality of services provided by BT and other PTOs. The concern is that operators may reduce the quality of service in order to increase levels of profitability. I see it as one of my duties to monitor the quality of service being provided and to take action if unacceptable reductions take place. Considerations of cost may mean that the highest attainable level of service is uneconomic but it is important to make measurements of the quality actually being provided, using performance indicators, so that informed judgements may be made. I have had discussions with the National Consumer Council (NCC) and others to help me develop a scheme for monitoring the quality of BT's services and I plan to implement a programme of work for keeping the quality of service under review, preferably in co-operation with BT.

1.24. Another issue that has been the subject of some representations during the year has been BT's purchasing policy. The representations have focused on two main issues. First the licence provisions limiting the circumstances in which BT can insist upon the acquisition of intellectual property rights. The Telecommunications Engineering and Manufacturing Association (TEMA) has asked me to investigate the possibility of an amendment to BT's licence and I am exploring that issue in consultation with the Association. The other main issue that has been the subject of representations concerns BT's policy for purchasing digital exchanges and in particular its policy of supplementing its purchases of System X with a second range of digital exchanges known as System Y. I intend to keep this situation under review.

1.25. On 20 July, Mr Kenneth Baker described the liberalised arrangements to apply to business and domestic telecommunication

systems connected to public networks. These arrangements, which were given effect by the Class Licence for the Running of Branch Telecommunication Systems, entered into force on 5 August 1984. The Minister's statement envisaged that the issuing of individual licences would be considered in cases where the mutual business interests of one or more companies or bodies would be served by adjustments of the conditions of the General Licence and the effect of the individual licence would not be mainly to take business away from the public networks. They would provide services not otherwise available. Companies and other corporate bodies are increasingly coming forward with proposals to take advantage of individual licensing, and I have advised you on the applications received after 5 August. After receiving my advice, you granted 12 individual licences in the period up to 31 December. These are included in Appendix 3 to this report, which lists non-PTO licences granted under section 7 of the Act.

1.26. I regard it as one of my duties to establish and maintain communications with regulators of telecommunications and other organisations interested in telecommunications in countries overseas. The purpose of such communications is to exchange views and experiences on the operation of various regulatory provisions and their benefits for consumers and also to explain the new regime in the United Kingdom and beneficial features of the environment it has created. During 1984, I visited the United States and Canada for these purposes with the Deputy Director General. I also welcomed a number of overseas visitors to my offices in London. I intend to continue such meetings during 1985.

1.27. I have made a commitment, in public statements, to be as open as possible in the discussion of issues arising out of my functions and duties. I intend to make public statements about major issues under review and to invite representations from any interested parties; I intend to establish contact with individuals, companies and representative bodies with interests in telecommunications so that I may become aware of their views on important issues; and I intend to give the fullest possible explanation of the basis for my conclusions, subject only to the need to respect commercial confidentiality, and to the constraints of section 101.

1.28. I have spent a considerable amount of my time during 1984 in communications, giving speeches at conferences and meeting companies and representative bodies. My job would not be possible without the flow of information that these contacts bring and I thank all those who have so freely given of their time in meeting with me and my staff. In 1985 I shall extend these contacts and will welcome views and comment from all quarters on any aspect of telecommunications.

SECTION TWO

Formation of OFTEL

Background

2.1. The Office of Telecommunications was established by the Telecommunications Act 1984 (the Act) which enables the Secretary of State to appoint a Director General of Telecommunications who in turn is empowered to appoint such staff as he thinks fit, subject to the approval of the Treasury. Like the Office of Fair Trading, OFTEL is a non-ministerial Government Department.

2.2. OFTEL's expenditure is provided by Parliament, but the cost is met almost entirely from licence fees which, in the case of larger operators, are, or will be, broadly related to the size of the turnover of the licensed businesses. The Act imposes on the Director General a duty to exercise the functions given to him by parts II and III of the Act. These functions include:

- (a) licensing of telecommunication systems (sections 5-11);
- (b) modification of licence conditions (sections 12-15);
- (c) enforcement of licence conditions (sections 16-19);
- (d) approval of contractors, apparatus etc for the purposes of licences (sections 20-27);
- (e) keeping of registers of licences, approved contractors, and approved apparatus (sections 19, 21, 23);
- (f) reviewing all activities connected with telecommunications (section 47);
- (g) publishing appropriate information and advice for consumers and other interested persons (section 48);
- (h) investigating complaints about the provision of services and the supply of apparatus (section 49);
- (i) exercising powers under the Fair Trading Act 1973 and the Competition Act 1980 in relation to monopoly situations and anti-competitive practices (section 50).

Functions (a) and (b) may only be exercised by the Director General with the consent of, or in accordance with a general authorisation given by, the Secretary of State. Such consent or authorisation has not so far been given.

2.3. The Director General must exercise these functions in the manner which he considers is best calculated:

- (a) to secure that there are provided throughout the United Kingdom, save in so far as the provision thereof is impractical or not reasonably practicable, such telecommunication services as satisfy all reasonable demands for them; and
- (b) to secure that any person by whom any such services fall to be provided is able to finance the provision of those services.

2.4. When it does not conflict with the considerations set out above, the Director General is also obliged to exercise his functions in the manner which he considers is best calculated to promote a number of things such as:

- (a) the interests of consumers, purchasers and other users in the United Kingdom, including, in particular, those who are disabled or of pensionable age, in respect of the prices charged for, and the quality and variety of telecommunication services provided and telecommunication apparatus supplied;
- (b) effective competition between persons engaged in commercial activities connected with telecommunications in the United Kingdom;
- (c) efficiency and economy on the part of such persons;
- (d) research into and the development and use of new techniques by such persons;
- (e) the establishment of places of business in the United Kingdom by major users of telecommunication services whose places of business are outside the United Kingdom;
- (f) the provision of international transit services by persons providing telecommunication services in the United Kingdom; effective competition in the provision of telecommunication services outside the United Kingdom by persons providing such services in the United Kingdom, and effective competition in the supply of telecommunication apparatus both in and outside the United Kingdom by persons producing such apparatus in the United Kingdom.

Staff and premises

2.5. It was decided in the process of setting up OFTEL that the aim would be to establish a small expert staff, and to draw extensively on outside advice from a wide range of sources. These will include statutory and non-statutory advisory bodies, a Technical Council, consultants, and other sources of advice in the industry and among users.

2.6. At 31 December 1984, the total staff numbered 58, but it is expected to increase during 1985 to a little over 100. A list of senior staff showing the five Branches into which OFTEL is divided, is at Appendix 4.

2.7. During 1984, OFTEL has been occupying accommodation in Atlantic House on Holborn Viaduct on a short-term basis but a move to more permanent premises is expected in 1985.

Appointment of Statutory Advisory Bodies (section 54)

2.8. The 19 million domestic customers in the UK have more difficulty than larger business users in co-ordinating their views and making their influence felt. Special attention is therefore needed to ensure that the domestic user has an effective voice. The Secretary of State appointed national Advisory Committees on Telecommunications (ACTs) in Wales, Scotland and Northern Ireland on 31 August 1984, and is in the process of establishing an English ACT. These Committees will be OFTEL's prime link with consumers, enabling their concerns and opinions to be heard, and they will also provide a channel of communication between consumers and the suppliers of services and apparatus.

2.9. The Director General met the Wales Advisory Committee in September and the Scottish Advisory Committee in December. He was due to attend the Northern Ireland Advisory Committee in January and was aiming to attend as many as possible of the annual general meetings of each of the regional groupings of the local telecommunications organisations—based on the existing Posts and Telecommunications Advisory Committee (PATACs) structure. Under the aegis of POUNC, and POUNC in Scotland, Wales and Northern Ireland, these voluntary organisations dealt with both postal and telecommunications matters before the Act transferred the latter responsibility to OFTEL. There are more than 170 of these committees throughout the UK forming an important network through which consumer opinions and complaints can be channelled. Their close links with the local communities, and in many cases with small businesses and industry, make them exceptionally well placed to represent grassroots views on telecommunications matters.

2.10. OFTEL is in the process of establishing contact with all the existing PATACs, many of which are expected to be formally recognised by the Secretary of State under section 27 of the Act as representing the interests of consumers, purchasers and other telecommunications users. As part of this programme, the Director General met the Chairmen of

the South West PATACs in September and was represented at the meeting of the Midlands Chairmen in October and the Northumberland and Durham Chairmen in November.

2.11. The Director General is consulted on appointments to the country advisory committees, but he himself has power to appoint (after consultation with the Secretary of State) a committee to advise on the telecommunications needs of disabled and elderly people; and another to advise on the telecommunications needs of small businesses. Consultations about the membership of these committees were in progress at the end of the year.

2.12. Considerable importance is attached to the work of the six statutory Committees, and the local organisations and interest groups behind them. Their role in promoting the interests of those with whom they are concerned will be a major element in influencing the development of telecommunications in the UK.

SECTION THREE

PTO licences and competition

Monitoring of PTO licences

Existing PTOs

3.1. During the period of this report only three PTOs were licensed—BT, Hull and Mercury. There were three main facets of OFTEL's monitoring during the period. First, ensuring that targets set out in the various licences for preparing Codes of Practice or providing other information were met by the licencees; secondly, developing an understanding with operators, customers and other suppliers of how individual licence conditions are to be applied in practice; and, thirdly, carrying out checks on the observance of licence conditions (rather than simply reacting to complaints). As expected, because of its scale and historic position as monopoly carrier and large supplier of subscriber attachments, the majority of complaints about the observance of licence conditions during this early period related to BT.

Representations

3.2. For a number of understandable reasons, including fear of upsetting on-going service relations with BT, complainants sometimes proved reluctant fully to identify the details of the circumstances that were causing them concern or to be identified to BT. As a result it did not always prove possible to get full agreement on the basic facts or to determine whether disputes arose from a local misunderstanding rather than official policy. However, the similarity of a number of complaints, for example on the question of the terms of connection of apparatus, prompted early investigations in some depth leading in turn to the identification of areas where further guidance was necessary.

3.3. Nearly 300 complaints and enquiries, both written and oral, concerning licensing and related issues were received by OFTEL between 5 August and 31 December 1984 (see Appendix 2); all but a few relating to BT. More than half were complaints about BT practices, actual or potential. The balance consisted of enquiries about the detailed provisions of the regulatory regime, especially the BT and Branch System Licences, or particular aspects of BT policy (eg pricing policy).

3.4. Seventy complaints were about BT's charges and tariffs. The November 1984 price increases featured prominently, particularly the restructuring of access line tariffs, but concern was also expressed about

the justification for other charges where BT retains an effective monopoly. In particular, several complainants objected to BT's policy of providing maintenance contracts on a fully pre-paid basis only.

3.5. A substantial number of complaints were received about BT practices covering the installation, maintenance and ownership of wiring and apparatus. There was also a significant volume of concern (about 40 complaints) about practices by BT affecting effective competition, mostly suggesting that BT was taking unfair advantage of its position as network operator when supplying apparatus; and about BT's policy on pricing of apparatus. Strong representations were made by the independent radiopaging companies about BT's practice of including paging charges in customers' telephone bills.

3.6. Enquiries received in this area were predominantly about the provisions of BT's licence, in particular about wiring, maintenance and price controls—and the Branch Systems General Licence (BSGL) (see paragraph 4.1), especially the maintenance requirements. Some enquirers asked about the level of BT's charges for particular services or for performing specific functions.

3.7. The main substantive issues raised by complaints and enquiries received, and the actions taken or in prospect, are given later in this section.

Interconnection

3.8. OFTEL was concerned with the important question of the terms on which the individual licencees would provide interconnection with other networks. This was especially important in the case of BT and Mercury who are the only PTOs likely to be in direct competition nationally across the whole range of services in the foreseeable future. It was a matter of regret that in discussions up to the end of the year the two parties had failed to reach agreement. The terms of interconnection with the BT system are also crucial to Hull although the Hull licence obviously applies to a much smaller geographical area. However, Hull and BT already have an established basis for the interconnection which is being developed further in the light of the new circumstances and which may, if the development is successful, provide a model for links between BT and other local PTO's such as the broadband Cable operators to be licensed under the Cable and Broadcasting Act 1984.

Cable and Cellular

3.9. In the case of the broadband cable and cellular radio companies, OFTEL's direct involvement in 1984 was more limited. Nevertheless,

OFTEL has taken part in the negotiations of licences for the 11 pilot cable franchises and the two cellular radio services for which the grant of PTO status is intended.

3.10. In the case of the pilot cable franchises, issues under active consideration have included radio interference standards, plans for the installation of each system, and technical standards for the equipment to be used in the system and for attachments to it.

3.11. The two cellular radio services were due to begin operation in January 1985 under licences granted under previous legislation. By 31 December 1984, plans for introduction of the two services were substantially complete.

Numbering

3.12. OFTEL's responsibilities for dealing with the question of numbering arrangements are likely to grow in importance as operating systems, services and terminals expand. OFTEL has received details of the existing numbering arrangements of individual operators and has begun the process of considering how this finite national resource can be applied and adapted most effectively for the purposes of the new competitive regime. This will require the balancing of the call routing requirements of the various operators and the convenience of customers, which means manageable outward dialling codes and the preservation of reasonably stable identification numbers.

Competition issues

3.13. Users can now choose apparatus from a range of options, provided by competitors to BT as well as by BT itself, and as from 1 January 1985 they have greater freedom to choose which firm will supply their prime instrument. Furthermore, the prospect of competition has given BT the incentive to operate existing services more effectively and to respond to changing patterns of demand.

3.14. OFTEL has the job of helping this momentum to continue. It is gathering information about the structure of the telecommunications industry in the UK, aiming to answer questions such as the following:

How many firms are participating?

What kind of firms?

How far do they meet user needs?

Is their performance consistent with stable growth?

How is the range of products developing?

How does the UK industry compare with the industry in other key countries?

3.15. Information of this kind will help OFTEL to formulate advice on the need for further structural changes. Secondly, it will encourage developments that can provide a foundation for additional competition in the future, such as may be possible in cable television, in private systems run under special licences, and in the use of radio frequencies.

Structure

3.16. OFTEL has been at pains to ensure that the scope for vigorous competition in the provision of new systems and services is maintained and developed. This priority was reflected in the Director General's advice to the Secretary of State against licensing the proposed joint venture between IBM and BT to provide managed data networks. Such a joint venture would have had a dominant position in the market and probably a strong deterrent effect on other potential competitors who wished to enter the market. It is hoped that this market will be served by a number of competing suppliers, in due course allowing open systems interconnection (OSI) between differing types of network and terminal equipment.

Apparatus supply

3.17. OFTEL reviewed a number of aspects of competition in the supply, connection and maintenance of apparatus and wiring and published a Consultative Document on Effective Competition in the Supply of Apparatus. Responses received up to the date of this report confirmed that the areas reviewed were of real concern particularly to those seeking to exploit the greatly increased opportunities to compete with BT in apparatus supply, in which BT already dominates the market as well as being the main supplier of network services. As indicated in the consultative document, OFTEL is discussing with BT a statement of its policy under the licence and is taking an interest in PTOs' actions to ensure that licence conditions are strictly observed. OFTEL also intends to undertake a survey during the coming year to monitor the position.

Public guidance

3.18. OFTEL will continue to pursue vigorously any individual cases of apparent discrimination, or other breach of licence conditions and will take a close interest in action by PTOs to observe best trading standards. A pre-requisite of fair competition is for those involved, whether as customers or suppliers, to understand how the regulations relating to competition apply in practice, particularly where the terms of the regulations are inevitably highly technical. Experience so far has already demonstrated the urgent need for guidance on the rules governing the provision of wiring on domestic premises and the

constraints on the provision of private wiring on business premises wherever existing wiring is not yet separated into its public network and private components. OFTEL guidance on these topics will be published as soon as possible in 1985.

Maintenance

3.19. A number of problems have arisen over the progressive liberalisation of the maintenance of user equipment. With the exception of some older equipment and a few types of call routing apparatus, BT is no longer the maintainer of last resort. However, commercial and practical factors influencing the establishment of new maintenance businesses have been such that a choice of competitive maintainers has not always been available to users. OFTEL's role has been twofold. Firstly, it has where necessary explained the rules in force where an apparatus user has been in doubt. Secondly, it has in some cases helped to make arrangements to eliminate transitional difficulties. One aspect of concern was the structure of charges for maintenance services. The BSGL together with approvals given under section 20 of the Act require an element of pre-payment for maintenance contracts. But OFTEL takes the view that this does not preclude a proportion of the charges for maintenance work being made on a per call-out basis at the option of the user. Discussions on this issue are continuing.

Radiopaging

3.20. OFTEL has also latterly been concerned with effective competition in radiopaging services, a further market currently dominated by BT. Matters of particular concern were the advantage that BT appeared to be gaining over its smaller competitors by combining the bills for radiopaging services with the bills for its main network services (which the competitors were unable to do) and BT's method of charging for the telephone call which activates the radiopaging service, on the basis of average use. Following an investigation by the Office of Fair Trading, completed in April 1984, BT was already pledged to introduce separate billing for radiopaging services as soon as practicable. But at the end of the year, OFTEL was considering the situation created by the planned introduction by BT of a new alpha-numeric service well in advance of the date when separate billing was due to be introduced, which appeared likely further to increase BT's advantage in the market.

Prices

Controlled charges

3.21. OFTEL was closely concerned with BT's tariffs during the latter part of the period of this report. The BT price increases which came into effect at the beginning of November 1984 were the subject of detailed

investigation by OFTEL, the results of which had not been announced when the year ended. The role and powers of OFTEL in relation to BT's prices need to be clearly understood. There are three main aspects.

(i) *Information on charges*

3.22. BT (in common with other PTOs) has to keep OFTEL informed about its *main* tariffs, charges and terms of business for telecommunication services provided under its licence. This information also has to be made available to BT's main offices for public reference; and in copy form when requested. BT must inform the Director General of any *proposed* changes 28 days before they come into effect.

(ii) *Price control*

3.23. The Director General only has direct enforcement powers over those particular tariffs that are governed by the price control provisions in Condition 24 of the BT licence. These comprise the charges for the use and ordinary maintenance of an exchange line and charges for dialled calls within the UK from such lines. The average increase in these charges must not exceed three percentage points below the level of the increase in the retail price index in a previous 12-month period.

3.24. Within the basket of services covered by Condition 24, the prices of exchange line rentals were increased in November by more than the permitted average but the prices of long-distance calls were reduced. In consequence, the effect on individual telephone bills varied according to the pattern of use of the service—although all users could expect to benefit from the overall real decrease in charges, either directly or indirectly through its effect on business costs. In order to give telephone users a better picture of how price changes will actually affect their bills, OFTEL is considering the desirability of regular publication of the effect of price movements on representative domestic telephone bills.

(iii) *Other prices*

3.25. Under its present licence conditions, BT has commercial freedom to set prices outside the basket of controlled charges. But the Director General has a duty to promote the interests of consumers and could, in an extreme case, take appropriate action if he had evidence that particular prices were operating against the public interest. OFTEL received and investigated a number of complaints about increases in prices that were not controlled by Condition 24, notably about marked increases in charges for access lines; and, at the end of the period, OFTEL was considering whether any of these complaints warranted further detailed investigation.

SECTION FOUR

Non-PTO licences

The Class Licence for the running of Branch Telecommunication Systems

4.1. Most business telecommunications users run their telecommunication systems under the 'Class Licence for the Running of Branch Telecommunication Systems' (BSGL), which came into effect on 5 August 1984. It authorises the running on private premises of the telecommunication systems including systems which are connected to public telecommunication systems run by BT, Mercury or Hull: hence the use of the words 'Branch Systems' in the title. The licence established new rules for the connection of branch systems to private circuits leased from the PTOs, in particular in respect of the use of such private circuits to carry traffic to and from public switched networks and to connect to other companies or organisations. The BSGL also includes conditions about such systems and the keeping of records of call routing apparatus and connections to private circuits; and it imposes fair competition requirements on people running branch systems in multi-occupied premises.

4.2. The BSGL is a complex licence, and following its entry into force, OFTEL has been dealing with frequent requests for advice from members of the public. OFTEL intends shortly to publish an explanatory guide to the licence.

Individual licences

4.3. The Government made it clear when the BSGL was issued, that it expected there would be cases when it would be appropriate to license individual companies or groups of companies to go rather further in their use of private circuits than the general licence allowed. In his announcement of 20 July 1984, the Rt Hon Kenneth Baker, MP, then Minister of State for Industry and Information Technology, said that the Secretary of State would be prepared to grant licences to individual applicants whose proposals for the use of private circuits significantly enhanced the economic performance or the mutual business interests of a defined but closed group of users. The Government would also be prepared to grant individual licences in respect of proposals which provided significant facilities which were not normally available from, or which complemented the facilities provided by, PTOs in the UK.

4.4. This announcement gave rise to a considerable number of enquiries which in some cases led to formal licence applications. The

Secretary of State has not as yet delegated licensing powers to the Director General, so OFTEL's role has been to advise the Secretary of State on the granting of such individual licences. A list of licences issued by the Secretary of State is at Appendix 3.

4.5. Some 2,000 licences granted by BT or the Post Office for running telecommunication systems were in force on 5 August 1984. Under the transitional provision of the Act these licences continue in force for two years unless they expire or are revoked earlier. Within this two-year period, therefore, it will be necessary to consider whether a new licence is required or whether the system covered by the expiring licence can be run under the BSGL, in which case no new licence is needed. Advice on these cases forms a continuing part of the Director General's advice to the Secretary of State on licensing under Section 7 of the Act.

Other licences

4.6. The Secretary of State has also been advised on the granting of several other class licences. These are also listed at Appendix 3. In addition OFTEL has been working with the Department of Trade and Industry (DTI) on the question of revised arrangements for licensing Value Added Network Services (VANS).

Approval of contractors, apparatus and meters; standards

4.7. The Government's policy for the liberalisation of telecommunication attachments rests upon procedures for the approval of apparatus against technical requirements set out in published standards. Section 22 of the Act empowers the Secretary of State to approve apparatus and to designate relevant standards. Section 20 also empowers the Secretary of State to approve contractors to undertake what the Act terms 'relevant operations'. In practice, the extent of these operations is determined by the provisions of licences, which to date have referred only to contractors approved to provide maintenance services for telephone call routing apparatus, and it is only in respect of such services that contractor approval procedures are operating.

4.8. Section 24 of the Act empowers the Secretary of State to designate standards for meters to be used in connection with telecommunication systems, and to approve such meters. These are the meters used by public telecommunication operators to register calls for the purpose of billing subscribers. Procedures for the approval of meters are not yet in operation, but a report has been prepared for the DTI by independent consultants, analysing several alternative schemes.

4.9. The Act allows the Secretary of State to authorise the Director General to give any of these kinds of approvals and to designate standards. No such authorisation was given during the period covered by this report, but the Secretary of State asked for advice on a number of related matters. These were:

- (a) the choice of a scheme for the approval of meters for telecommunication systems;
- (b) the preparation of a business plan for the British Approvals Board for Telecommunications, (BABT) designed to ensure that the board can meet its goal of non-profit making financial independence and provide a fully effective service for applicants for approval under section 22 of the Act;
- (c) to consider the practicability of preparing a schedule of approval fees for implementation through an Order under section 22(12) of the Act.

4.10. Advice is being prepared on each of these points.

Land mobile radio

4.11. Radio frequencies in Bands I and III will cease to be used for 405-line television broadcasting early in 1985. In May 1984 the Government published a Green Paper inviting views on the allocation of these frequencies to private and land mobile radio. The release of these frequencies will make a substantial increase in the amount of radio frequency spectrum available for this use, and licensing decisions to be made under the Wireless Telegraphy Act 1949 will have a major impact upon the quantity and variety of services available to private land mobile radio users and upon the effectiveness of competition in this field. It is part of the Director General's duties to advise the Secretary of State both on the general policy to be adopted in licensing the use of the newly-available frequencies, and on the specific question of whether public telecommunication operators should be permitted to operate mobile radio systems in Band III, either exclusively or in partnership with another operator.

4.12. In formulating advice, OFTEL is giving particular attention to ways of ensuring the greatest possible degree of competition while avoiding wasteful use of frequencies (which would limit the quantity and diversity of services available to users).

4.13. OFTEL also undertook to advise on a number of matters related to the licensing of further national radiopaging services. These matters are:

- (a) whether any further national VHF paging services should be permitted in the near future;
- (b) if further services should be licensed, what factors should be taken into account in choosing licensees;
- (c) any other aspect of the current market for paging services in the UK to which the Secretary of State's attention should be drawn.

SECTION FIVE

Consumer affairs

5.1. In the field of consumer protection, the most effective weapon is competition. However, the advent of full competition is some way off and OFTEL has therefore a number of specific responsibilities to promote the interests of consumers. It has taken over the functions of the Post Office Users National Council (POUNC) in monitoring complaints that relate to the telephone system. This means that OFTEL is ready to consider any dispute between BT—or another operator—and its customers. Customers should try to settle their differences directly with the operator of the system but, if they fail to obtain a satisfactory response, they can turn to OFTEL and, unlike POUNC, OFTEL has powers which may be able to resolve issues when the circumstances justify their use. The Director General can make orders to enforce existing licence conditions and, in an extreme case, he can invoke the procedures for modifying a licence or take action under the Fair Trading Act 1973, or the Competition Act 1980.

Codes of Practice

Consumer Code of Practice

5.2. BT consulted OFTEL about the preparation of a Consumer Code of Practice required under Condition 27 of the Licence. There were extensive discussions and OFTEL also consulted consumer interests. BT has, for some years, operated a code of practice of this sort and the resulting Code was essentially a revision of the previous Code, amended to take account of BT's change of status to a plc and its consequent provision of service under contracts. BT has made certain changes in the Code which will be helpful to the consumer. They include the increase to £1,000 of the limit on claims which can be referred to arbitration; this sum was determined by the Director General under Condition 28 of the Licence.

5.3. Hull's Code had not yet been submitted at the end of 1984. As Mercury does not yet provide switched voice telephony services, it is not at present required to publish a Code.

Confidentiality of Customer Information

5.4. BT submitted a draft of the Code on Confidentiality of Customer Information within the period required by Condition 38 of the Licence but it was not acceptable to the Director General. OFTEL and BT are

continuing to discuss the Code in draft form, but if agreement cannot be secured the Director General may make a determination of the content of the Code.

Land mobile radio

5.5. BT has also submitted a draft of its Consumer Code of Practice for its radiopaging and radiophone services. OFTEL was consulting user groups and other consumer interests about the draft at the end of the year.

Arbitration arrangements

5.6. OFTEL has been discussing with BT, Hull and the Chartered Institute of Arbitrators a revised set of rules for arbitration in disputes over sums of up to £1,000 in which no complicated issue of law is involved. It is intended that the revision will be to the advantage of the complainant.

Telecommunications Code

5.7. The Telecommunications Code sets out the powers which operators to whom it applies (mainly PTOs) can, in accordance with the provisions of their licences, exercise in installing their apparatus in the street and, with the necessary agreements, on private land.

5.8. OFTEL has been involved in lengthy discussions with BT about the form of the Notices required under the Code. Given the powers available to operators under the Code, OFTEL regards it as important that these Notices set out fully and clearly the individual's rights, and the consultation process has therefore been protracted.

5.9. Complaints are already reaching OFTEL about the use of Code powers and requests are being received for assistance over Code-related matters. In many cases OFTEL can only explain in more detail the procedures under the Code which have allowed an operator to install apparatus. If, however, such a complaint indicates a misuse of Code powers, the Director General stands ready to respond to requests for assistance made under section 52 of the Act.

Complaints about telecommunication services

5.10. In this area the work of the four country ACTs will be of great importance. If they are to be effective they must be fully conversant with the needs and opinions of users. In part, this can be achieved through their daily contacts, but another source is the complaints generated by

alleged inadequacies in the provision of service and apparatus. Where an operator fails to put things right, a complainant has several lines of recourse—to the local PATAC, to the appropriate ACT, or to OFTEL. The majority of complaints which cannot be resolved locally are best directed to the Secretary of the appropriate ACT who can take the matter up with the operator on the complainant's behalf. However, some complaints will inevitably come directly to OFTEL, and some of those received by the PATACs and the Secretaries of the ACTs will, for various reasons, be referred on to OFTEL. What is important is that, wherever the complaints are handled, they are dealt with rapidly and effectively, and that, where appropriate, they provide the bases for initiatives through the consultative structure.

5.11. It will be seen from the reports of the three ACTs already established, which are in Section 7, and from OFTEL's direct experience (see Appendix 1) which includes some activity on behalf of the English ACT while awaiting its appointment, that the principal areas of concern during the period of this report were;

- Accuracy of call metering
- Fault repair service
- Deposits
- Connection charges.

5.12. The ACTs will be asked to consider these areas and advise whether or not there are grounds for reviewing them in depth with the PTOs. It is worth making the point that subjects giving rise to the greatest number of complaints may not necessarily be those of greatest long term importance to consumers; and the ACTs will need to balance the interests of different types of consumers and to take account of the longer term financing of the provision of services.

Study of rural telecommunications

5.13. The consumer will be asked to assist in some of the studies which will from time to time be conducted into telecommunications. The first such study is in process of preparation and will examine telecommunications in mid-Wales. The Wales ACT will be seeking the co-operation of both the business community and domestic users in mid-Wales in this assessment of the current provisions and future needs of rural Wales.

SECTION SIX

Information and publicity

Statutory registers

6.1. Under the provisions of sections 19, 21 and 23 of the Act, the Director General is obliged to keep publicly accessible registers of:

- (a) all licences issued under the Act, along with details of any modifications, revocations, orders, consents or determinations relating to them;
- (b) all contractors approved under the Act for the maintenance of apparatus (mainly call routing apparatus), along with details of every variation or withdrawal of such approval;
- (c) all approvals of apparatus and designations of standards under the Act, along with any variations or withdrawals relating to them. Once the relevant information has been received this will also include details of approvals issued under the British Telecommunications Act 1981 prior to 5 August 1984.

6.2. The registers, which are constantly growing, have been available for public inspection at OFTEL's offices between 10 am and 4 pm on normal working days since 6 August 1984. At present they are held in hard copy form, but it is expected that they will be available for public inspection on computer early in 1985.

Information and publicity

6.3. It is an important part of the duties of the Director General to inform the telecommunications industry and the public of the existence and the work of OFTEL. To this end he has taken advantage of a number of opportunities to broadcast on both radio and television and to give interviews to the national and professional press. In addition eight press notices have been released during 1984 on a variety of subjects with the overall intention of providing public information on OFTEL's activities and assurance that it is working to promote the interests of users and of the telecommunications industry as a whole.

6.4. In August an introductory booklet to OFTEL was published outlining the Director General's responsibilities. This publication included information on the structure of the ACTs and advice on how to proceed with complaints through those committees, or by direct contact with OFTEL. This was followed by the publication in November (see paragraph 3.17) of a consultative document inviting all those concerned

with the telecommunications industry to contact OFTEL with information regarding any practices or breaches of licence conditions likely to inhibit effective competition in the supply of telecommunication apparatus. Two more publications dealing with the BSGL and Wiring in Business and Residential Premises are being prepared for early in 1985.

6.5. As part of the overall strategy of maintaining close contact with public and industry OFTEL is participating in the DTI's touring exhibition, 'Telecoms Tour'. This exhibition visited Swansea, Coventry, Nottingham, and Slough during 1984. The programme will continue until March 1985.

SECTION SEVEN

Reports of Advisory Committees

7.1. Under section 54(1) of the Act the Secretary of State was obliged, as soon as practicable, to establish advisory bodies for matters affecting England, Scotland, Wales and Northern Ireland respectively. Those for Scotland, Wales and Northern Ireland were set up on 31 August 1984, but at the end of the year the Secretary of State had not yet appointed the Chairman and members of the proposed English ACT.

7.2. In addition, the Director General is obliged under section 54(4) to establish as soon as practicable advisory bodies for matters affecting small businesses, and for matters affecting persons who are disabled or of pensionable age. It was not possible to establish these two committees during 1984, but it is expected that they will be established early in 1985.

7.3. The following reports from the ACTs for Scotland, Wales and Northern Ireland have been made to the Director General as stipulated in section 54(7) of the Act.

Report of the Scottish Advisory Committee on Telecommunications for the period 5 August 1984 to 31 December 1984

Introduction

7.4. The Telecommunication Act 1984 which provided for the privatisation of British Telecom (BT) and the setting up of the Office of Telecommunications (OFTEL) also provided for the establishment of Country Advisory bodies for matters affecting Scotland, England, Northern Ireland and Wales. The Scottish Advisory Committee took over a role very similar too, but wider than that carried out by the Post Office Users Council for Scotland and its responsibilities now cover Mercury, Cable TV, cellular radio systems and the manufacture and supply of apparatus, but in the immediate future its main role is in relation to BT. It has a duty to advise the Director General on any matter relating to his functions which is referred to it or on which it considers it should offer advice. The Chairman and members of the Post Office Users Council for Scotland accepted invitations to serve on the Committee, thus the expertise gained over many years has not been lost to the new body. The Committee held two meetings in the period to 31 December 1984.

Provision and quality of service

7.5. In Scotland the demand for service in the past year has increased by approximately 5 per cent, cessations have stabilised and the waiting list which was a constant source of complaint a number of years ago has virtually disappeared, but at 31 December 1984 there were still 54,160 customers sharing. This compares with 73,900 at 31 December 1983 and represents a reduction of 26.7 per cent, but is still a significant number and an irritation to a great many customers. Delays have been reported in the provision of service to persons who have been decanted from their homes to enable the local authority to carry out modernisation programmes and who have had to wait for service to be restored once they returned home.

7.6. Most complaints regarding the quality of service related to delays in getting reported faults repaired but there were also a significant number regarding interference on lines and time taken for operators to respond. Telecom Scotland claim that in the last year there has been a reduction of 19-20 per cent in fault reports and that 92.6 per cent of faults are dealt with by the next working day.

Telephone kiosks

7.7. Following privatisation of the business there has been a great deal of public concern regarding the retention of telephone kiosks

particularly those in rural areas as it was feared that many uneconomic kiosks would be withdrawn from service. No kiosks in Scotland have been recovered for reasons of economy in the last 18 months and the licence granted to BT lays down stringent conditions which must be observed before BT can cease to provide service. These include notifying this Committee of any proposal and also advising the local authority and giving it the opportunity to meet any shortfall in revenue. At present no BT public call offices in Scotland are subsidised by local authorities, but one uneconomic kiosk in a remote part of Wigtownshire which was badly damaged some time ago has been restored following an offer by the Countryside Commission for Scotland to make a grant to Dumfries and Galloway Regional Council to meet the difference between the revenue and the minimum figure of £185 on a year's operation.

7.8. The Committee is extremely concerned at the scale of vandalism. During 1984 there were over 19,100 incidents of vandalism, more than £24,000 was stolen from kiosks and the cost of repair exceeded £312,000. This senseless destruction not only increases the overall cost of the service but can result in the breakdown of a vital service to the community and it may even endanger life. It is recognised that this is a social problem and one faced by many other organisations in addition to BT but we do consider that BT should encourage the use of alternative methods of payment thus hopefully reducing the incidence of theft.

Telephone accounts

7.9. The largest category of complaint received by the Committee relates to telephone accounts. These mainly refer to disputes regarding the number of units used but complaints have also been received about the reminder procedure. Of 54 cases which we took up on behalf of customers, a goodwill rebate was given in 20 instances.

7.10. The absence of any breakdown of local and long distance calls often raises doubts about the accuracy of telephone bills but no matter how reliable the system is many customers will continue to doubt the accuracy of their bills until some system is introduced which will enable them to identify the destination of dialled calls. Trials are due to be carried out in the Edinburgh Telephone Area in the spring of 1985 itemising trunk and international calls, and statements accompanying bills will give details of the number called, the date and time the call started, its duration and charge. We understand a number of complaints have been received by BT from persons who consider this an invasion of privacy. Evidently some people were under the impression that individual phone calls would be recorded on computer. BT has assured individuals this is not the case and has also given an assurance that

nobody will be forced to have itemised bills and neither will details be retained on computer. We welcome these trials which we hope will be successful thus enabling the facility to be extended to all customers.

Complaints

7.11. One of the functions of the Committee is to give advice and, if appropriate, assistance to telecommunication users who fail to obtain satisfaction from the provider of the service or supplier of the apparatus. In order to be effective in this role it is necessary that the public be aware of our existence and arrangements are therefore being made for a reference to the Committee to be included on the reverse of telephone accounts.

7.12. The following are two examples of complaints handled by the Committee:

- (a) On returning a BT approved 'Falcon' answering machine to have a fault rectified, a customer who had purchased it from a private supplier found that the business had gone into liquidation. The machine carried a one-year guarantee and a replacement was supplied by BT. This also developed a similar fault and on reporting it the customer was advised that the model was no longer being manufactured. We wrote to BT pointing out that the fault had developed within the original guarantee period and suggesting that if it could not be rectified or the machine replaced then a machine of a similar type should be provided. BT agreed and the customer was given a different model.
- (b) A company which rented three lines complained that there were persistent faults on each and alleged that on one line it was impossible to obtain incoming calls. These faults had been repeatedly reported but although engineers had called to the premises the problems persisted. We took the matter up with BT and after further investigation it was confirmed that the company had good cause for complaint. Although the installation, line and associated exchange equipment had been thoroughly checked on several previous occasions and no faults found it was suspected that problems still existed and that these were caused by faults in the telephone exchange equipment itself. This was replaced with a modern electronic unit and the customer confirmed that service was satisfactory. As a measure of recompense a rebate of three months rental for the three lines and their associated equipment (£103.25 plus VAT) was granted.

7.13. It is not possible to maintain a record of success cases as very few people acknowledge the action taken on their behalf or indicate

whether they are happy or unhappy with the final results. It is, however, gratifying to hear from satisfied customers and a great many letters of thanks are received by the Committee.

Post and Telecommunication Advisory Committees (PATACs)

7.14. These Committees are local voluntary bodies set up to give both BT and the Post Office the benefit of outside views which are often helpful in the adjustment of local needs. The PATACs have a working arrangement with Telephone Managers who are usually represented at their meetings to explain policy and answer questions. At the present time the future of such Committees is under review but the indications are that they will continue in being as they are of great value to this Committee not only in local matters but also by commenting on major issues. Close links are maintained through six members of this Committee who are also Chairmen or members of PATACs. There are eight PATACs in Scotland, these being in Aberdeen, Argyll, Central Region, Dumbarton, Dundee, Edinburgh, Glasgow and Newton Stewart.

Acknowledgements

7.15. The Committee wishes to record its thanks to the Chairman and staff of BT Scotland for the help and co-operation in providing such information and assistance as the Committee has required. We also record our appreciation of the helpful co-operation received from staff of OFTEL.

**Representations about British Telecom plc received by the Scottish
Advisory Committee on Telecommunications for the period
5 August 1984 to 31 December 1984**

Accounts	..	..	..	..	..	..	..	..	..	..	89
Provision of Service	..	..	..	..	..	..	..	..	..	..	64
Quality of Service	..	..	..	..	..	..	..	..	..	..	60
Charges	..	..	..	..	..	..	..	..	..	..	30
Deposits	..	..	..	..	..	..	..	..	..	..	15
Directory Services	..	..	..	..	..	..	..	..	..	..	9
Payphones	..	..	..	..	..	..	..	..	..	..	22
Other Matters	..	..	..	..	..	..	..	..	..	..	1
TOTAL											<u>290</u>

Chairman and Members of the Committee

Chairman

Mr G C C Duncan, BL Solicitor; Chairman, Post Office Users' Council for Scotland; Member, Post Office Users' National Council; Director, Glasgow Chamber of Commerce.

Members

Mr W J Brown, MBE, TD, JP, Member, Post Office Users' Council for Scotland; Member, Aberdeen Chamber of Commerce; Chairman, Aberdeen Post and Telecommunications Advisory Committee.

Mrs J Forbes Sempill, Member, Post Office Users' Council for Scotland; Chairman, Newton Stewart Post and Telecommunications Advisory Committee.

Mr J D M Hardie, MA, MSc, Director, Scottish Division, Institute of Directors; Member, Post Office Users' Council for Scotland; Organiser, Scotland in Europe.

Mr W J Humphries, BEM, Director, Scottish Friendly Assurance Society Glasgow; Member, Post Office Users' Council for Scotland; Chairman, Jute Importers Association; Chairman, Dundee Area Post and Telecommunications Advisory Committee.

Rev A S Hutchison, DD, Minister of Rubislaw Parish Church, Aberdeen; Member, Post Office Users' Council for Scotland; Member, Aberdeen and North East Council on Disability.

Mrs I E McGowran, Member, Post Office Users' Council for Scotland; Chairman, Central Region Post and Telecommunications Advisory Committee; Director, Central Scotland Chamber of Commerce; Member, Falkirk Inner Wheel Club; Member, Linlithgow Primary School Parent Teacher Association.

Dr C M MacLean, BSc, PhD, Principal, Thurso Technical College; Member, Post Office Users' Council for Scotland.

Mr A J Paterson, Principal Administrative Assistant, Highland Regional Council; Member, Post Office Users' Council for Scotland.

Mr T J Ransley, BSc; Member, Post Office Users' Council for Scotland.

Mr G J Richards, BSc, ARCS, Member, Post Office Users' Council for Scotland; Member, Central Region Post and Telecommunication Advisory Committee.

Mrs P M N Stewart, Member, Post Office Users' Council for Scotland; Member, Scottish Women's Rural Institutes; Member, Borders Regional Council; Former Member, Consumers in the European Community Group (UK).

Mr D G Walker, BA, AIB (SCOT), Senior Consultant, Noble Lowndes and Partners Ltd; Member, Post Office Users' Council for Scotland; Member of the Council of the Graduates Association, University of Strathclyde.

Mr J G Watson, JP, MBIM, Development Officer, Scottish Development Agency; Member, Post Office Users' Council for Scotland; Chairman, Argyll Post and Telecommunications Advisory Committee; Deputy Chairman, Transport, Users' Consultative Committee for Scotland; Chairman, TUCC Publicity Sub-Committee; Magistrate, Argyll and Bute District; Member of Justices Commission Executive Committee for Argyle and Bute.

Mr E Young, MA, Rector, The Nicholson Institute, Stornoway; Member, Post Office Users' Council for Scotland; Member, Highlands and Islands Development Consultative Council.

**Report of the Wales Advisory Committee on
Telecommunications for the period 5 August 1984 to
31 December 1984**

The Advisory Committee

7.16. As members of the Post Office Users' Council for Wales had had so much experience in dealing with telecommunications they were invited to serve as the Wales Advisory Committee on Telecommunications (ACT) to OFTEL. All agreed and were formally appointed by the Secretary of State for Trade and Industry by 31 August 1984. Details of Members are attached.

Conference

7.17. Professor Bryan Carsberg, Director General of Telecommunications, addressed a joint Conference of the POUC Wales and the Wales ACT consisting of some 60 delegates from the whole of Wales in September at the Royal Hotel Cardiff. The Conference were glad to have the Director General's confirmation of OFTEL's commitment as evidence that the interests of customers are being taken fully into account. He considered it was essential to have close contact with those who use telecommunication services and purchase the appliances of the suppliers. It was here that Advisory Committees and their local committees were so important. He expected to be told about grievances and the needs and wishes of those who have no lobby to urge their cause. He attached great weight to advice from Advisory Committees.

Privatisation of British Telecom

7.18. Progress of the Telecommunications Bill was monitored in all its stages through the House of Commons by the Post Office Users' Council (before it became the Wales ACT). The ACT is still concerned about the effects of privatisation on customers in Wales. They view exchanging a public monopoly for a private monopoly with a healthy reserve. A public monopoly is at least accountable to Parliament. Market forces may appear an attractive alternative in populous urban areas but lose vitality somewhat when applied to a rural environment. The Wales ACT feels there has to be a more flexible philosophy which recognises that BT customers are not an isolated group of profit-generating units. Rural areas are vital to the economy and produce profits in various other ways than direct payment of telephone bills.

Rural research

7.19. As part of its concern for rural area difficulties which are developing in so many areas, and which interlock with telecommunications, the Wales ACT approached the Director General with detailed proposals for a research programme on the problems of

telecommunications in rural areas with particular reference to rural telephone kiosks. The research would involve the active co-operation of PATACs and other voluntary bodies such as Women's Institutes, Merched y Wawr, Local Authorities and especially District Councils. OFTEL has agreed in principle with the proposed Wales ACT project. It is expected the project officer will be appointed in time to start work by 1 April 1985.

PATACs

7.20. The Wales ACT is particularly anxious to see the continuance and development of its 16 local advisory committees throughout Wales. These have shown how important they are to the Wales ACT as a vital grass roots means of communication. Their knowledge of local conditions and nuances have helped speed up the Wales ACT's instant appreciation of telecommunication difficulties. Under DTI financing the out of pocket expenses for the operation of these voluntary bodies has become progressively more difficult over the last six years. The amount of money allowed has been effectively reduced some 30 per cent plus by not increasing the Wales ACT (and Post Office Users' Council for Wales) Vote.

Complaints

7.21. A record of complaints received and investigated by the Wales ACT from 5 August 1984 to 31 December 1985 is below.

**Representations about British Telecom plc received by the Wales
Advisory Committee on Telecommunications for the period
5 August 1984 to 31 December 1984**

Accounts	51
Provision of Service	11
Quality of Service	13
Charges	7
Deposits/Reminders	2
Directories	4
Other Matters	11
TOTAL	99

Chairman and Members of the Committee

Chairman

Professor J R Webster, Dean of Faculty of Education, University College of Wales, Aberystwyth. Member POUNC.

Members

Mr J G Beard JP, Trade Union Officer, TGWU.

Mr B W Butcher, Member, South Glamorgan Area Health Authority.

Mr D R Dutton JP, Member, Agricultural Wages Committee.

Mrs R R Hayes JP, Secretary Saundersfoot Chamber of Trade; Organiser WRVS County Cars.

Mrs D A Hughes, Controller Opinion Research; Associate Member Cardiff Community Relations.

Mrs P Hughes, Company Director, Voluntary County Organiser Women's Institute.

Mrs I Price Jones JP, Teacher (Home Economics); Member, NW Wales Gas Consumers Council

Mr A Roberts, Chairman, Arfon, Dwyfor, Mon PATAC.

Mr J R Roberts, Director, Gwynedd Rural Council; Secretary Merioneth PATAC

Mrs B Williams, Farmer; Member, Advisory Committee Royal Welsh Agricultural Society.

Mrs D Willis, Teacher.

Report of the Northern Ireland Advisory Committee on Telecommunications for the period 5 August 1984 to 31 December 1984

7.22. Members of the Northern Ireland Advisory Committee on Telecommunications were appointed by the Secretary of State on 31 August 1984 under section 54 of the Telecommunications Act 1984. A list of members is annexed to this report.

7.23. Two meetings were held between that time and 31 December 1984, the period covered by this report. At the second meeting Professor Webster, Chairman of the Wales Advisory Committee on Telecommunications, and Mrs Percy-Davis from OFTEL were present.

Provision of service

7.24. There was an increase of 2 per cent in the demand for telephone service in the period 1 April 1984–31 December 1984 compared with the same period in 1983. A slight falling off in demand was noted from August–December 1984. New lines were added totalling 16,932 in this period, compared with 16,886 during the same five months in 1983.

7.25. The number of cessations during August–December 1984 was 8,711 compared with 9,867 in August–December 1983, a reduction of 11·7 per cent. There were 427,279 working exchange connections at 31 December 1984 compared with 407,219 at 31 December 1983, an increase of 4·9 per cent over the year. The Waiting List was reduced from 420 at 31 December 1983 to 156 at 31 December 1984. Seven per cent of the working exchange connections at 31 December 1983 were shared service. This figure was reduced to 3·8 per cent at 31 December 1984.

7.26. BT claimed that by the end of December 1984, 84·3 per cent of all residential orders were being completed within eight working days and 82·8 per cent of all business small orders were being completed within six working days.

Quality of service

7.27. The modernisation of the fault repair service continued during the period with most of Northern Ireland being covered by sophisticated equipment that automatically probes customers' lines for faults, analyses them with the aid of a computer and gets repairs under way before the customer is affected.

7.28. A new service was introduced on 1 August 1984 which enables customers to dial 150 from any telephone in Northern Ireland and obtain access, free of charge, to BT Northern Ireland's Customer Service switchboard. A team of specially trained operators ensures that the customer enquiries/complaints are directed quickly to the appropriate action point.

7.29. There was minimal customer reaction to the revised prices for many telecommunications products and services introduced from 1 November 1984.

Public Call Office service

7.30. There were 1,540 telephone kiosks in Northern Ireland at 31 December 1984. During the year, 38 were replaced by OAKHAM booths on the original or adjacent sites because of excessive vandalism. Two were not replaced due to the site agreement being withdrawn. The total number of direct vandalism attacks on the telephone kiosks during the year was 1,900. The cost of repairs was £30,000. The number of maintenance visits made to kiosks was 25,000. The modernisation of the Public Call Office service, which was started during 1984, is continuing.

7.31. No kiosk recoveries requiring OFTEL agreement were carried out during 1984.

7.32. It would appear that the public are already aware of the new committee, probably because details of our committee and address are printed on the reverse side of the telephone account.

7.33. We in the Province are particularly pleased with the relationships we have with BT and the ready response and assistance we receive on complaints channelled through us. It will be noted that most of these are in connection with accounts and with very few exceptions are resolved satisfactorily. A particular complaint in connection with entries in the Yellow Pages under professional entries was satisfactorily attended to locally at BT with OFTEL assistance. (See attached summary of complaints handled by the Northern Ireland Advisory Committee.)

7.34. In conclusion, we must record the assistance we receive from Mr Alfie Kane the Chief Executive of BT in Northern Ireland. He has offered to arrange a 'teach in' for the committee in the coming months. It is also the intention of the Chairman to hold a seminar for the business community during 1985, dealing primarily with telecommunications.

**Representations about British Telecom plc received by
the Northern Ireland Advisory Committee on Telecommunications
for the period 5 August 1984 to 31 December 1984**

Accounts	101
Provision of Service	15
Quality of Service	29
Charges	7
Deposits	6
Directory Services	2
Other Matters	2
TOTAL	162

Chairman and Members of the Committee

Chairman

Mr J J Eccles JP AMIMI, Sales Director A S Baird Ltd; Chairman Northern Ireland Lay Magistrates Association; Chairman, Visiting Committee Young Offenders Centre Belfast, Chairman, Post Office Users' Council for Northern Ireland.

Members

Mr M T Archdale, Member Omagh Post Office Advisory Committee.
 Mr C Bamford, Businessman.
 Mr W Clarke, Member of Ulster Farmers' Union.
 Mrs O Craig, Member of Federation of Women's Institutes.
 Mrs M E Donaghy, Vice Chairman Age Concern, N Ireland.
 Mr R T Ferris, Vice Chairman Central Services Agency.
 Mrs E F Glover, Member of Federation of Women's Institutes.
 Mr G H James, Chartered Accountant and retail trader.
 Mr W Keown, Member of The Disabled Advisory Committee.
 Lady Porter, Member Habinteg Housing Assoc (Ulster) Ltd.
 Mr R G Toland JP, Company Director.
 Mrs J C Tomlin, Member of Carrickfergus Borough Council.
 Mrs M Toner, Businesswoman.
 Mr W J Whitley, Member of National Advisory Council for the Institute of Purchasing Management.

All of the above mentioned are Members of The Post Office Users' Council for Northern Ireland.

Secretary

Mr R T Jordan MBE, Hon MBA, CEng.

APPENDIX 1

**Representations about PTO services received by OFTEL
for the period 5 August to 31 December 1984**

Disputed Telephone Accounts	..	..	..	..	..	..	955
Quality of Service	..	..	..	..	..	..	443
Deposits Reminders	..	..	..	..	..	..	402
Charges	..	..	..	..	..	..	343
Provision of Service	..	..	..	..	..	..	299
Directory Services	..	..	..	..	..	..	106
Payphones	..	..	..	..	..	..	85
International Services	..	..	..	..	..	..	10
Other Matters (Advertising, Electronic Mail etc)	..	..	..	..	..	..	168
TOTAL							<u>2,811</u>

APPENDIX 2

**Representations about licensing and related issues
for the period 5 August to 31 December 1984**

BRITISH TELECOM							
Tariffs and charges .. .. .	..	..	..	..	..	..	84
Installation, maintenance, ownership of wiring and equipment .. .. .	..	..	..	..	..	..	86
Unfair competition .. .. .	..	..	..	..	..	..	39
Provisions of BSGL .. .. .	..	..	..	..	..	..	22
Emergency/Priority .. .. .	..	..	..	..	..	..	3
Cable .. .. .	..	..	..	..	..	..	3
Radiopaging .. .. .	..	..	..	..	..	..	3
Miscellaneous .. .. .	..	..	..	..	..	..	33
MERCURY							
.. .. .	..	..	..	..	..	..	3
HULL							
.. .. .	..	..	..	..	..	..	5
TOTAL							<u>281</u>

APPENDIX 3

**Non-PTO Licences granted under section 7 of
Telecommunications Act 1984**

<i>Title</i>	<i>Date signed</i>
Licence for the running of branch telecommunication systems.	3.8.84
Licence for the running of certain telecommunication systems first run before 5 August 1984.	3.8.84
General licence for telecommunication apparatus for the reception of programmes transmitted for general reception by wireless telegraphy and conveyed by means of wireless relay systems.	3.8.84
Licence for the running of telecommunication systems connected to hearing aids and acoustically coupled apparatus.	3.8.84
Licence for the running of hearing aids and acoustically coupled apparatus which are telecommunication systems.	3.8.84
Licence granted to BT to run telecommunication systems for the provision of land mobile radio services.	3.8.84
Licence granted to BT systems for the provision of radio-paging and other land mobile radio services.	3.8.84
Class licence granted for mobile or portable apparatus connected to land mobile radio telecommunication systems run by BT.	3.8.84
Licence granted to BT for the running of certain cabled systems (Milton Keynes).	3.8.84
Class licence for telecommunication apparatus for the reception of cable programme services conveyed by means of a cabled system run by BT (Milton Keynes).	3.8.84
Licence to run telecommunication systems to facilitate the carrying out of the functions of water authorities.	3.8.84

<i>Title</i>	<i>Date signed</i>
Licence granted to Dover Harbour Board.	16.8.84
Class licence for the running of certain branch telecommunication systems connected to the telecommunication system run by Dover Harbour Board.	16.8.84
Temporary licence for the South of Scotland Electricity Board to run certain telecommunication systems.	16.8.84
Interim licence granted to the Sorn Community Council for the running of a cable system.	1.9.84
Temporary licence for the Electricity Boards to run certain telecommunication systems.	17.9.84
Extended.	29.11.84
Temporary licence for Inter-City Paging Ltd to run a mobile radio telecommunication system.	19.10.84
Temporary licence for British Steel Corporation to run telecommunication systems at Llanwern Works, Newport, Gwent.	25.11.84
Temporary licence for Eastern Electricity Board to run certain telecommunication systems.	10.12.84
Temporary licence for Barclays Bank plc to run certain telecommunication systems.	18.12.84
Class licence for mobile or portable apparatus connected to cellular telecommunication systems.	21.12.84
Temporary licence for British Gas to run certain telecommunication systems.	21.12.84
Temporary licence to Hydrocarbons Great Britain Ltd to run certain telecommunication systems.	21.12.84

APPENDIX 4

OFTEL staff

Director General of Telecommunications: Professor B V Carsberg

Deputy Director General: Mr W R B Wigglesworth

Branch 1 (Monitoring of PTO Licences, Competition)

Director: Mr A W G Catto

Branch 2 (Non-PTO Licensing, Public Registers, Apparatus Approval)

Director: Dr J P Compton

Branch 3 (Consumer Affairs, Press & Publicity, Administration)

Assistant Director: Mrs J T Percy-Davis

Principal Information Officer: Mr D Redding

Branch 4 (Legal)

Director: Mrs T J Dunstan

Branch 5 (Technical)

Director: Vacant (the appointment of Mr C R D Tatham to take up this post on 1 January 1985 was announced on 30 November)

The number of staff employed in OFTEL on 31 December 1984 was 58.

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