

REPORT
of the
DIRECTOR GENERAL
of
TELECOMMUNICATIONS

for the period 1 January to 31 December 1987 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
4 May 1988*

LONDON
HER MAJESTY'S STATIONERY OFFICE

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 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 1 January to 31 December 1987. In the first section, I comment generally on my activities during the period, with special emphasis on quality of service and consumers' interests. Sections 2-6 describe OFTEL's activities during the year, and Section 7 contains the reports of the six statutory advisory committees on telecommunications. No references were made by me to the MMC during 1987.

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20 April 1988

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GETTING QUALITY OF SERVICE RIGHT

Director General's Statement

Quality of Service

1.1 The work of the Office of Telecommunications continues to be heavy in volume and varied in subject matter. However, looking back at my three previous annual reports, I see one issue standing a little higher than the others in each of the years concerned. In the first year, a major focus was getting fair competition established in the apparatus supply business. 1985 was dominated by my determination of the arrangements for interconnection between British Telecommunications plc (BT) and Mercury Communications Ltd (MCL): the issue was the promotion of effective competition in basic telecommunications services. In the third year, the issue that caused most public concern was the rebalancing of BT's prices, though there were many other important issues. In 1987, the year which is being reviewed in this report, the main issues arose out of concern with BT's quality of service. The principal challenge of the year was to develop arrangements that would promote improvements in quality of service.

1.2 BT's quality of service was criticised for several reasons. Faults on customers' exchange lines and on leased lines were taking longer than usual to repair; delays were arising in providing new lines and, mainly in London, a short waiting list was developing for customers who could not be provided with lines out of capacity immediately available; furthermore, some customers, again particularly in London, connected to newly commissioned exchanges, experienced communication difficulties. These difficulties with the general service were allied with particular difficulties with the Directory Enquiry service, the general operator service and public call boxes.

1.3 OFTEL had undertaken a good deal of work on quality of service before the difficulties arose. I had organised a survey of quality of service in 1986, with the help of volunteers from the local Telecommunications Advisory Committees throughout the United Kingdom. I had also obtained statistics from BT's own records about its performance on service quality and, late in 1986, after bringing considerable pressure to bear, I obtained a commitment from BT to resume publication of its quality of service indicators, publication of which had been discontinued before privatisation. I said in my 1986 report that the first OFTEL survey on quality of service left some questions in my mind, in particular about the service provided at public call boxes, the speed of service for Directory Enquiries, and the speed of fault repair. I said that I would give particular attention to these areas during 1987.

1.4 The work undertaken at OFTEL during 1986 showed that there had been no deterioration in quality of service since privatisation. Although performance was variable, the indications were that it had improved slightly overall. Then, during 1987, a deterioration did take place. For example, the success rate in repairing faults on exchange lines by the target time—the end of the working day after that in which the fault was reported—fell to about 74 per cent from the level of between 85 per cent and 90 per cent which had been emerging as the norm previously. Performance in providing new service appeared to decline even more sharply. These difficulties were mainly attributable to the strike of engineering staff early in 1987. Performance was at a low point after the strike because of the backlog that had built up and because certain maintenance work had been neglected; but performance climbed steadily back through the rest of the year—with an understandable set-back in

October and November following the most violent storm in living memory over a large area of the South East of England.

1.5 The strike was not the only source of BT's difficulties. Demand for new circuits in the London area had grown at an unprecedented rate and at a greater rate than BT had expected. Furthermore, as BT had been planning to provide extra capacity by installing larger digital public exchanges, it had effectively limited the possibility of increasing the capacity of the old Strowger exchanges—which were about to be phased out—by decisions made earlier. However, the programme for installing digital exchanges was running behind schedule and this, combined with the acceleration of demand, was responsible for the development of a serious provisioning backlog. A few exchanges—notably the 388 and 405 London exchanges—were brought into operation too quickly, without undertaking all the required testing, in order to try to make more capacity available as soon as possible. The effect was that customers on these exchanges experienced operational problems of which the most serious were the 'ring tone no reply' condition—callers telephoning and hearing a ringing tone but getting no answer because the ringing tone was not audible to the person being called—and congestion on outgoing calls.

1.6 A natural question prompted by the quality of service difficulties is why the United Kingdom should have this kind of problem when other countries appear to fare much better. During the past year, I have had the opportunity of discussing this question with the top managers of telephone networks in France, Hong Kong, Japan and the United States. All have a significantly better service record than ours. My discussions, and the statistics I have been shown for performance in other countries, convince me that the key is in the modernisation of the network. Other countries provide better availability of the telephone network because they have fewer faults: often, their performance in repairing faults is no better than ours. The lower incidence of faults is attributable to their having more modern equipment. This is very clear in France where the network was modernised fairly recently and the associated improvement in performance was dramatic. In Britain, a large part of our network is still made up of old equipment. Many of the local exchanges are Strowger exchanges. The President of NTT in Japan put the point succinctly when he told me: "We had the good fortune to develop our telephone network more recently than you did". This emphasises the importance of the investment programme now being undertaken by BT. The nature of a telephone network is such that the benefits from modernisation become apparent 'cumulatively': modern equipment cannot give the best possible performance if it is interconnected with old equipment. However, BT now has one of the most ambitious plans of any operator in the world for converting its network to digital operation and it is also upgrading its transmission systems. It has accelerated these plans since privatisation and under the spur of competition. Its plans can be expected to produce significant improvements in fault experience over the next few years.

1.7 The problems with quality of service during 1987 have caused me to make this a top priority regulatory concern. My first focus was to require BT to accept more public accountability. Having obtained a commitment from BT, in 1986, to resume publication of its quality of service indicators, I pressed for implementation during the early part of 1987 and I was disappointed that BT did not attach greater urgency to this matter.

Consequently, in July, I published the quality of service indicators I had obtained from BT under my statutory powers for the five years ending with 1985–86. These statistics covered calls failed because of plant defect or lack of capacity, speed of operator response, incidence of faults and speed of fault repair. Then, in October, BT fulfilled its commitment to resume publication, giving a first report for the six months ending 30 September 1987. The statistics published covered the items I had dealt with in July and also performance in providing new service. I particularly welcomed the fact that BT set performance targets for some of the key areas and it will now publish indicators every six months.

1.8 I took special action during the year on the problem of delays in providing new service. As soon as I became aware of the basic problem, I called for information about the numbers of customers waiting for exchange lines and about the steps being taken by BT to alleviate the problems on a temporary basis. These steps included extension of London exchanges by using equipment made available from the decommissioning of exchanges in other parts of the country. With help from my Technical Directorate, I pressed BT to make sure that no remedy had been overlooked and that BT was not holding back on measures that would help customers because of the wish to minimise expenditure. I have received regular updates about the situation since my first investigation and I shall continue to keep progress under review until the waiting list has been eliminated. At the end of 1987, BT's official waiting list for London ran to about 15,000 lines; in several areas, relief was expected early in the new year but, in the worse cases, relief would not be forthcoming until the middle of 1988 and some individual customers—given some relief through turnover—are having to wait three or four months for their lines.

1.9 I also kept progress in combatting the problems at the 388 and 405 London exchanges closely under review. BT assembled a special task force to deal with these problems and the experience gained by the task force in correcting the problems has provided valuable input into the planning of subsequent conversions to digital operation. Happily, the problems of the 388 and 405 exchanges have been isolated occurrences: BT now has digital units carrying at least some of the traffic at over 1,000 local exchanges and very few of them have experienced similar problems.

1.10 One very important issue, relating to quality of service, concerns contractual liability. I had been concerned about BT's contract terms since I first saw them and, after keeping them under review to see how they worked out in practice, I received complaints that established the need for a formal investigation. I published a consultative document in August and received many helpful comments in response. My investigation has convinced me that BT's contract terms are unsatisfactory. They recognise few rights for the customer as regards such important matters as fault repair performance; they avoid giving customers a firm date for provision of new service; and they give BT the right to act high handedly regarding such matters as changing customers' numbers. At the end of 1987, I was holding discussions with BT about improvements to its contract terms. It is in my mind that BT should be required to give a firm date for providing new service and a guaranteed fault repair time and that it should accept some liability if it fails to meet its obligations; I also believe that the contracts should be made more 'customer friendly' in a number of other ways.

1.11 The main job of regulation, with regard to quality of service, is to make sure that the regulatee has the right kind of incentives to produce a good performance. Once a position has been reached in which resources for maintenance and provision of new service are in short supply, the regulator can do little to bring about the immediate provision of service to waiting customers. However, the regulator can make sure that the arrangements are adequate to make the regulatee suffer financial penalties if performance is not satisfactory and this can be expected to have a strong effect on improving performance in the medium term. Contractual liability is a desirable way of providing incentives for improved performance because it compensates directly the customer who has suffered. However, I am also keeping other possibilities under review, including the possible introduction of licence provisions, either in the form of direct penalties for poor performance or in the form of a link to the price control rule so that poor performance would be translated into lower permitted price increases.

1.12 I cannot leave the question of quality of service without commenting specifically on Directory Enquiries. I had long suspected that the chief problem with Directory Enquiries was not speed of response once the operator had answered but difficulty in getting through to the operator. BT's own statistics provided information about the speed of operator response once a ringing tone was established, but these statistics could not indicate the percentage of call attempts that failed to get a ringing tone. I therefore conducted a special OFTEL survey of experience with the Directory Enquiry service in 1987. This confirmed my impression. I found that 18 per cent of call attempts failed to get a ringing tone, though, once a ringing tone was established, the speed of answer and the speed of provision of information seemed reasonably satisfactory overall. I discussed this finding with BT who responded by giving me information about its investment plans for completing access to the computerised directory and for increasing the capacity of the service. These plans appeared to me to address the problem in a satisfactory way and I have therefore made arrangements to keep performance under review over the next year or so in the expectation that this will reveal improvement of performance to a satisfactory level.

1.13 Finally, in discussing quality of service, I want to turn to some services which can have a disruptive effect on customers' enjoyment of basic service. I am referring to the 'Talkabout' services, to recorded message services and to telephone selling. The 'Talkabout' service is one under which up to ten people can be connected together at random for 'conversation'. Separate services exist for teenagers and adults. This service was criticised sharply during 1986, when it was introduced in Manchester and Birmingham, on the grounds that it could lead to 'dating' amongst strangers, with possibly dangerous consequences, that the conversation was often obscene or objectionable for other reasons, and that it often led to teenagers building up large telephone bills without their parents' knowledge. At that time, I agreed with BT various modifications to the service, having the intention of limiting the abuse. Subsequently, I received few complaints about the service, until late in 1987.

1.14 The complaints, which I received late in 1987, have renewed my concern that the service is causing great disruption in some families. I am

particularly concerned about evidence that the service can become addictive and that some young people are still building up enormous bills which their parents are unable to pay. I am doubtful about the morality of providing a special service and promoting it to telephone users who are not responsible for paying their own bills. At the end of the year, I was undertaking an urgent investigation of the issue. I have received representations that the service may have social benefits, such as the provision of social contact for lonely people, including some who are disabled; and, in view of my duty to promote the interests of all telephone users, it would not be right for me to take urgent action without a careful gathering of evidence. However, I am carefully considering initiating licence modification procedures, to impose additional controls on these services.

1.15 The problem of recorded message services is similar though less acute. Recorded message services cover a range of services, including weather reports, information about the results of sporting fixtures, travel information, medical information, records, jokes and stories. During 1987, I have received complaints about the cost of these services, about the breach of fair trading rules—some services are provided by BT while others are provided by competitors, and about the offensive quality of some message content: some messages, not provided by BT, have been characterised to me as ‘soft pornography’. I am investigating all of these matters.

1.16 Arrangements were made some time ago to deal with the problem of message content by establishing a Code of Practice and setting up an independent committee to reach decisions about complaints. These arrangements were sponsored by BT with my encouragement. However, one or two weaknesses in procedures remain. At present, no independent monitoring of service takes place and reliance is placed on the initiation of complaints by customers. Because the concern is often about the effect of obscene messages on young people, this procedure may not be sufficient and I am considering the case for requiring independent monitoring arrangements.

1.17 Recorded message services also aggravate the problem of unauthorised use of the telephone. The problem of unauthorised use is present to some extent with all telephone services and heavy handed regulation would run the risk of impairing the availability of valuable services as well as those that are less valuable. However, I remain worried about BT’s provision of these services before it is even able to offer itemised billing generally, in a way that would give its customers better control. I believe that apparatus enabling customers to bar certain kinds of calls would make an important contribution to the solution of this problem. I have already undertaken some steps to promote the availability of call barring apparatus and I am giving attention to additional steps at the present time.

1.18 I have also noted that concern about telephone selling is on the increase, concern that it may become intrusive to the point at which the value of having a telephone is seriously impaired. Regulatory arrangements in the UK already contain some inhibitions on the worst excesses of telephone sellers: for example, automatic random dialling devices are not approved for connection to the telephone network. I am also aware that the Office of Fair Trading has published a helpful Code of

Practice about telephone selling. However, my duties to promote the interests of users of telephone services require me to consider matters such as telephone selling and I therefore intend to keep developments under review.

Public Call Boxes

1.19 I mentioned above my concern, in 1986, about the quality of service at public call boxes. This is an important matter. My 1986 survey had produced the estimate that about 17 per cent of public call boxes were out of order at any time and although this was an unsatisfactory level of service, I felt the need for more information about the cause of faults and the speed of repair and I also felt the need for a more extensive statistical investigation to provide additional information, before I considered taking action.

1.20 The 1987 OFTEL survey on quality of service gave special attention to public call boxes. Its findings were very disappointing. It estimated that 23 per cent of public call boxes were out of order nationwide, with a significantly worse performance in London and some other urban areas; it also suggested that repair time was often excessive. Contributory factors appeared to be that call boxes were developing faults more frequently than expected, that arrangements for identifying faults were deficient and that coin boxes were not being emptied fast enough in some cases.

1.21 Whenever I meet a problem of this kind, I ask whether increased competition might make a contribution to its solution. I believe that this would be a desirable approach with the public call boxes. Successful operation of a public call box network poses considerable challenges and competition is likely to be the best way of seeking out the creativity that is needed to establish the best method of managing the system as well as the most cost effective call box designs. I was therefore pleased when Mercury Communications Ltd (MCL) applied to me, under the terms of its licence, for permission to provide public call box services. Before it could be allowed to proceed, I had to determine that a reasonable demand existed for such services, and I made this determination at the end of November. Another way in which payphone services can be improved is by introducing greater freedom to the arrangements under which payphones may be installed in private premises—shops, garages, restaurants, public houses, some railway stations and so on—for use by the public. At present, such payphones can be obtained only from BT and can be operated only by the occupier of the premises. At the end of 1987, my staff had almost completed work on a standard which would enable payphones to be supplied directly to users by suppliers other than BT, and I was also considering the need for a new licence that would enable payphones on private premises to be run by people other than the occupiers of the premises.

1.22 I am also assessing a third route to establishing more competition. Public call boxes, on the street, connected to a BT or MCL exchange line, could conceivably be run by companies other than BT or MCL. This approach could be a valuable extra means of introducing widespread competition, particularly bearing in mind that there will be some parts of the country which MCL cannot reach for a considerable period of time. I am evaluating this possibility in detail with a view to preparing advice on

the desirability of issuing a new licence to make this kind of operation possible.

1.23 Any action which is taken to promote competition in providing public call box services must recognise the need to maintain services which are not profitable but which are desired for social reasons. At present, BT's accounts show a loss on public call boxes as a whole but those losses are reduced because BT has a number of highly profitable boxes. Competition might erode the profits at the most favourable sites and therefore increase the overall loss; and this has caused concern that BT might wish to close some of the boxes meeting a social need. I should say first that I am not convinced that the costs of operating public call boxes must always be at the level currently incurred by BT. I hope that competition will develop more efficient ways of providing these services. However, I also attach importance to the maintenance of services at locations where a public call box meets a strong social need. BT has a licence obligation to maintain call box services where annual receipts are at least £185, unless some overriding reason exists to discontinue them. I have been pleased to see that BT has actually refrained from seeking the closure of public call boxes on revenue grounds alone, even where the boxes are taking much less than £185 per year. I have told BT that I want to see this policy continuing and that I should be prepared to consider the establishment of a levy to finance socially desirable call boxes if necessary. BT has given me a commitment that it will not change its policy with regard to socially important call boxes for the time being and that if, at some future date, it wishes to consider a change, it will discuss with me arrangements for financing the continuation of these services as a first step.

1.24 Given the serious shortfall in service quality and the fact that time will be needed for competition to have an impact, I also decided in 1987 that further regulatory action was needed with regard to public call box services. I asked BT to agree to the joint sponsoring of an independent survey of public call boxes with the objective of providing monthly reports about progress. BT agreed to do this. It also set itself the target of having 90 per cent of call boxes in working order by the end of March 1988 and it discussed with me changes in its operational procedures which were designed to bring about the improvements. The first two monthly surveys were completed and reported during 1987 and produced disappointing results: essentially, they confirmed the findings of the OFTEL survey and failed to show any signs of improvement. However, I am aware that BT is devoting strong managerial effort to improving performance and I shall keep progress under review before deciding whether further action is needed.

Billing Disputes

1.25 I noted, in my 1986 Annual Report, that a very high proportion of complaints to OFTEL concerned disputes about the size of a customer's bill. These complaints increased in volume during 1987, and various press reports about this subject during the Summer confirmed that a danger existed of a deterioration in public confidence in billing arrangements. I therefore issued in September a public statement about the situation. I pointed out that most of the billing errors reported in the press related to incorrect charging for the rental of exchange lines and leased lines, where businesses were renting a large number of such lines, to charges for apparatus supply and for other specialised work. These were all areas

where businesses should have records to enable them to double check the bill and double checking of this nature is a normal part of standard business practice for most types of supply.

1.26 Greater concern might attach to the arrangements for billing telephone calls because the customer cannot check this part of the bill unless special call logging equipment has been installed. Errors in billing for calls can arise because the meter is not working properly, because the pulse generating equipment—which enables the meters to record the number of chargeable units used by a customer—has been incorrectly set, or because of some other mechanical failure in the network. Incorrect functioning of the meters appears not to be a very serious practical problem. All the evidence suggests that incorrect functioning of meters is very rare. Furthermore, the current operation of the meters can be checked by attaching special equipment to the line and, since it is highly unlikely that a fault will be self-correcting, customers can be given credit when a metering error is likely to have happened.

1.27 Other kinds of mechanical malfunction are also a possibility but they are also believed to be rare. This leaves incorrect setting of the meter pulse equipment as a serious concern. I did receive a few complaints during 1987, from customers with call logging equipment, drawing attention to incidents in which meter pulses were being counted at an incorrect rate. I investigated these cases immediately and discovered that procedural lapses were responsible. BT's systems, as they were being implemented, did not contain enough safeguards against the chance of human error. Incorrect setting of meter pulse equipment can be avoided if proper double checking of the setting is carried out systematically. BT has now agreed improvements to its procedures and I therefore anticipate that repetitions of this kind of problem will be avoided.

1.28 Nevertheless, the events of 1987 made me feel that a strong need exists to make sure that everything possible is done to increase customer confidence in billing procedures. My first priority has been to press BT to accelerate the introduction of itemised billing—billing which will list separately the cost of individual calls. The ability of customers to check the bill by examining a list showing the cost of each call over some limit, with identification of the number called, should greatly increase confidence in the system and should enable disputes to be resolved with greater confidence. I recognise that BT's ability to provide this service at a reasonable cost depends on the availability of modern digital exchanges and also on investment in general computing capacity. However, many modern exchanges are now in operation and the need for itemised billing is urgent. I said in my 1986 Annual Report that I should be prepared, if necessary, to seek a licence amendment requiring BT to introduce itemised billing as soon as reasonably possible. I maintained pressure for this objective in 1987 and I was very pleased when BT announced an extensive programme, towards the end of the year, to introduce itemised billing. I am still obtaining more details of BT's exact intentions and I shall monitor its performance closely to ensure, as far as possible, that there is no slippage in the arrangements.

1.29 I believe that the long-term aim of the regulator must be to seek other measures which give the customer better control over expenditure on telephone services. I mentioned above, in connection with recorded message services, that I was seeking to promote the availability of call

barring facilities. As medium-term aims, the availability of call barring and of metering on customers' premises are highly desirable ways of increasing customers' control. One other measure can help to increase customers' confidence in the short term. This is the introduction of a scheme for independent investigation of and reporting on BT's procedures for call billing—a kind of external audit of billing systems. My staff have been working urgently on establishing proposals for such a scheme and I expect to be able to give advice on the measures that are needed to bring such a scheme into effect early in 1988.

Customers' Complaints

1.30 Another aspect of quality of service is indicated by the numbers of customer complaints and the methods available for dealing with them. OFTEL experienced a dramatic increase in the volume of enquiries and complaints about service matters during 1987. At its peak, the monthly volume was more than three times the average level for 1986. This has naturally put my staff resources under great strain—because there is a limit to how quickly additional staff can be drafted in and trained—and it has also caused me to reconsider OFTEL's procedures and objectives in relation to customer complaints.

1.31 It is important that customers should be able to complain to OFTEL and I have personally found it extremely useful for my general functions that I have access to staff who are experts in dealing with customer complaints and that I obtain detailed information about some of the worst cases by becoming involved in them directly. Information like this helps me to judge what reshaping of the regulatory arrangements may be needed: for example, personal experience with complaints has helped me to recognise the great importance of increasing BT's incentives to repair faults promptly and to provide new service on time and also the strong need to introduce itemised billing.

1.32 At the same time, it is neither desirable nor practicable—in terms of available resources—that OFTEL should become BT's complaints department. BT is a private company and it is right that it should deal with its own complaints and desirable that it should see customer complaints as an opportunity to identify areas where its service is in need of improvement and to bring about that improvement. I have therefore instituted improvements in the system under which complaints received by OFTEL from customers who have not already contacted BT are referred to BT, in the first instance, for direct reply to the customer. We explain this procedure to customers, together with the reasons for it, while making it clear that customers are welcome to come back to OFTEL if BT does not deal with the complaint in a satisfactory manner. I am now giving further thought to other aspects of complaints procedures. I am aware, from correspondence on OFTEL's complaints cases, that BT often takes much too long to respond, and I am considering the case for giving BT more specific objectives in its own handling of complaints without in any way diminishing OFTEL's continuing role.

Pricing

1.33 During the first part of 1987, I spent a good deal of time explaining the need for the sharp rebalancing of prices, which BT had undertaken and I had accepted at the end of 1986. Any sharp change tends to be controversial, even if it is justified as this one was, and those who are relatively heavy users of a service that becomes more expensive tend to complain loudly while those who benefit say very little. As part of my

programme for communication about pricing policies, I held regional meetings, to which representatives of all the local Telecommunications Advisory Committees (TACs) were invited, in all parts of the United Kingdom. At these meetings, I emphasised three main messages. First that the price changes would have the effect of increasing the bill of the average residential customer by less than the rate of inflation; secondly, that the price changes were justified on the basis of cost, which I had investigated thoroughly; and thirdly, that the price changes were fair—it would not be fair to force people who made long distance calls, many of them people with low incomes, to subsidise the telephone bills of people who made a lot of local calls, as was the effect under the previous tariff.

1.34 Happily, 1987 brought fewer new pricing problems than 1986. I was pleased that when BT came to consider the fourth annual change in the main prices covered by the price control rule—exchange line rentals and direct dialled inland calls—it decided to forgo the small increase of about 1.3 per cent which would have been permissible under its licence. This decision brought the average fall in the prices of main telephone services to about 12 per cent in purchasing power terms since privatisation. This decision also made it possible to say that the average residential customer, as well as the business customer, had experienced a decrease in real telephone prices.

1.35 Nevertheless, BT took the opportunity of the 1987 price review to increase the price of some items that were outside the price control rule, including, notably, connection charges for exchange lines and the prices of some international telephone calls. I started work, late in 1987, on the arrangements for the review of the price control rule which runs out in mid 1989. Given that BT will want to know the new price control rule late in 1988 or early in 1989 for budgeting purposes, and that a reference to the Monopolies and Mergers Commission may be necessary to settle the rule, preparations have to be made well in advance. One of the issues in this review will be the possible case for extending price control to services, such as connection, which are not covered at present.

1.36 I received numerous complaints during 1987 about a more specialised aspect of BT's pricing. Under BT's licence, individuals and organisations which provide essential services are entitled to priority fault repair both inside and outside normal working hours. In the past, that service has been provided free, but BT decided to commence charging during 1987 except for some special categories of people at risk because of their physical condition and certain lines used for emergency calls.

1.37 BT is entitled to charge for priority fault repair services under its licence. I could seek a licence amendment to change this but, although my statutory duties clearly require me to take account of social considerations as well as economic considerations, I have to take account of my duty to promote the interests of all users of telephone services as well as my duty to promote efficiency in the industry. If services such as priority fault repair are heavily subsidised, a danger exists that they will be used wastefully and other users of general telephone services will have to pay more than they otherwise would: there is much to be said for making costs explicit so that they can be the focus of reasonable decisions.

1.38 I therefore decided that BT's policy on pricing priority fault repair service was acceptable. However, I also decided that I must satisfy myself

Promoting Competition

that BT's charges were not excessive in relation to cost and my investigation of this question led to my insisting on a halving of BT's prices. I shall undertake a further review of these prices in 1988 when data will become available for the first time about the actual costs incurred in providing priority fault repair.

1.39 In my previous annual reports, I have emphasised my belief that promoting competition as far as economically feasible is the best method open to a regulator for ensuring that good services are provided to customers and provided efficiently. That remains my firm view. In previous years, also, I have emphasised the importance of competition by dealing with it first in my annual report. This year, the short-term problems with quality of service persuaded me to give primary attention to those problems and I have left little space for a review of competition. However that does not indicate any diminution in the importance I attach to it.

1.40 Many significant events took place during 1987 for the promotion of competition. MCL made good progress in developing its network for competition with BT in basic services and I was particularly pleased to see the progress it made with providing local competition in central London and with preparing for local competition in some other British cities. I made a determination, during 1987, of the terms and conditions under which MCL should connect its network to BT's for conveying international telex messages and I believe that this determination will promote vigorous competition in the telex field. I also established a Code of Practice to govern the dealings of BT and MCL with overseas telephone operators. The intention of this determination was to provide a basis for fair competition between BT and MCL while making sure that overseas telephone companies were not given a strengthened position in which to use their monopoly power to take advantage of our liberalisation to the disadvantage of the UK economy.

1.41 I attach great importance to the development of local competition. It is at the local level that most of the resources are used in a telephone network and where the potential for improved efficiency is greatest. Local competition may ultimately provide the best incentive for improving quality of service. Cable television companies are permitted to compete in providing local telephone services provided that they do so through an agreement with BT or MCL and in an area where I have determined that such services should be provided. Cable television companies are strongly placed to bring valuable additional competition to the local level, in a way that complements and does not detract from MCL's competitive effort. I was therefore particularly pleased to be able to make my first determination, allowing a cable company to provide telephony services, during 1987. The determination related to a pilot scheme in the franchise area of the Windsor cable company.

1.42 A new Value Added and Data Services Licence was issued during 1987 and OFTEL was closely involved in this decision in an advisory capacity. The new licence will extend the possibilities for competition in an important manner and I shall be monitoring the working of this licence to make sure that no unnecessary constraint on competition is allowed to persist.

1.43 A number of significant events took place for the promotion of

competition in apparatus supply. I agreed with BT a schedule of prices for the purchase of wiring in buildings, for use with Call Routing Apparatus (CRA), and thereby removed a difficulty that had been inhibiting competition previously. I undertook a survey of the working of the fair trading rules, in fulfilment of a commitment I made, soon after OFTEL was established, to enforce fair competition actively. The survey indicated that significant progress had been made in establishing a competitive environment that was regarded as fair although a few obstacles remained, notable among which was the working of the rules on pre-connection inspection. I am reviewing these rules to establish whether improvements can be made. I devoted considerable effort to analysing BT's accounting information to satisfy myself that no unfair cross-subsidy was being provided to the apparatus supply business. I commissioned a study of arrangements which might improve the effectiveness of competition for private branch exchange (PBX) enhancements and I published the findings of this study towards the end of the year; and I took a close interest in the arrangements under which MCL began the provision of Centrex services to make sure that they provided fair competition with the supply of Call Routing Apparatus.

1.44 I cannot leave the general field of promoting competition without expressing my pleasure at the developments in mobile communications. Competition between Racal-Vodafone and Cellnet in cellular radio telephone systems continued to show remarkable progress. By the end of the year, the two companies together had about 260,000 customers. On my advice, two licences for competing national private mobile radio (PMR) systems were awarded in 1986 and one of the licensees commenced operations during 1987. The other is likely to commence during 1988. Several additional licences to run radiopaging services were also awarded during 1986. I was particularly pleased to note the launch of two new competing national radiopaging services during 1987.

Apparatus Standards and Testing

1.45 In December 1986, I received delegated responsibility for the designation of standards for apparatus approval and for the approval of apparatus and the approval of maintainers, subject to a reservation to take account of the programme for the harmonisation of standards in the European Economic Community. I gave a high priority to this area during 1987. I particularly wanted to make progress in reducing the time taken for apparatus to be approved: delays in approval increase costs and hold back the earning of revenues, to the general detriment of competition.

1.46 I reached the conclusion that a major cause of delay arose from the requirement that applicants for approval must contact the British Approvals Board for Telecommunications (BABT) for a preliminary evaluation and that all testing is arranged by BABT. My staff therefore worked with BABT to establish a pilot scheme under which applicants could make direct arrangements with test laboratories, dispensing with the preliminary evaluation. This pilot scheme seems to be working well and to have reduced the total time taken for approval substantially.

1.47 During 1987, my staff worked closely with BABT and did much to help resolve delays affecting individual cases. I visited BABT to emphasise the importance I attached to its contribution to the working of the competitive environment. I was very pleased with the progress made during 1987 and I want to thank the Director and his staff for the strong efforts they made to help with our objectives. I believe that BABT should

play an increasing role in approvals arrangements and I intend to work on plans for this during 1988.

1.48 I also wanted to satisfy myself, during 1987, that the standards for apparatus were no more complex or demanding than was necessary. Excessively complex standards can be another inhibition on competition. I received a report on the possibilities for simplification from a Committee under the chairmanship of Major General A C Birtwistle. This report was controversial and my staff have been evaluating its recommendations in consultation with the various interests concerned. This work was still in progress at the end of the year but I hope to announce my conclusions on the report early in 1988.

The Branch Systems General Licence

1.49 Private business networks connected to the public network are run under conditions contained in the Branch Systems General Licence. On my advice, a new Branch Systems General Licence was issued during 1987. This simplified the conditions that had applied previously and allowed some additional flexibility in the configuration of private systems. However, I am well aware that the regulations in this area continue to be complex and that this can be a source of real difficulty for users. I intend to keep the working of this licence under review during 1988 and to consider whether any further simplification would be desirable.

Other Matters

1.50 During 1987, I continued to work closely with my Advisory Committees in discussing many of the issues on which I had to make decisions. I want to take this opportunity of thanking all the people concerned for their help. Their agenda lengthened during the year but their interest did not wane. I also continued the meetings of the Telecommunications Forum which I had started during 1986. This organisation is proving itself an invaluable body for the exchange of views among operators and representative associations.

1.51 My staff and I continued to receive many invitations to speak at conferences and to give lectures about OFTEL's work both in the United Kingdom and overseas. I visited Australia and the United States as well as several countries of Western Europe on telecommunications business. We have made a point of establishing contacts throughout the European Community where competition in telecommunications is now more strongly in prospect. I greatly welcome the many moves being made in other member states and at Community level towards greater competition in telecommunications and its concomitant of independent regulation. The positive proposals in the Commission's Green Paper and the spirit of the ensuing discussion have been most encouraging; and I look forward to the development of further competition across national boundaries, at least in the fields of apparatus and services, as Europe moves towards the single market in 1992. These developments will also have a growing impact on OFTEL's own activities.

1.52 Although my staff and I have reluctantly to turn down more invitations than we accept, we try to give a good many speeches and lectures, because of the very high level of interest shown in our arrangements for introducing competition and for regulating the industry. It is helpful to our objectives that our activity should be well understood both at home and overseas. I was particularly pleased to be able to participate in the 1987 Forum and Exhibition organised by the International Telecommunications Union in Geneva—*Telecom '87*. I gave

a paper on the UK's promotion of competition in value added and data services at the Forum and OFTEL had a small stand to provide information about our general activities. We were also very pleased to welcome numerous overseas visitors at our headquarters in Atlantic House.

1.53 During 1987, I was invited to accept a second term as Director General of Telecommunications and I was very pleased to do so. I am approaching the challenges of the second term with enthusiasm because I believe that the policies we are pursuing will bring strong benefits to the UK economy and the users of telecommunications services. My enthusiasm owes much to the help and support I receive from OFTEL's staff. I remarked in my last annual report on the pressure under which many of them were working. That pressure has increased during 1987 but the performance and commitment of the staff has remained excellent. I want to thank them warmly for their contribution.

PTO LICENCES AND COMPETITION

*Public
Telecommunications
Operators (PTOs)*

2.1 At 31 December 1986, fourteen PTOs were licensed—three to provide basic telecommunications and associated services, two cellular radio operators, and nine broadband cable operators. In May 1987 one further licence was issued to a broadband cable operator.

2.2 During 1987, OFTEL's monitoring of PTO licences has continued to be concerned with three main areas. First, ensuring that licensees meet prescribed dates in areas such as the submission of information, establishment of Codes of Practice and the agreement of procedures on operational matters. Secondly, consulting with licensees, customers and suppliers on the application of licences, including investigation of complaints and possible licence breaches. Thirdly, verifying the observance of licence conditions other than those which have been the subject of complaints. No formal orders were made under section 16 of the Telecommunications Act 1984 for the purpose of securing compliance with the conditions of a PTO licence.

2.3 The main thrust of OFTEL's policy continues to be to encourage the development of effective competition as a protection to customers, but in some situations competition is not yet effective—either between one PTO and another, or between the PTOs and other suppliers of telecommunications products and services. Where complaints give rise to concern about a PTO's practices in an area which is neither subject to a specific licence condition nor to effective competition, the Director General will always consider whether it would be appropriate to bring the matter under direct control by seeking an amendment to the licence conditions. However, in practice, it is usually possible to persuade the PTO concerned to change its practices voluntarily and no licence modifications were made for this purpose in 1987.

2.4 Four sets of modifications were, however, made to PTO licences by the Director General for other reasons under section 12 of the Telecommunications Act 1984 (see paragraphs 2.18, 2.20, 2.22 and 2.45). A new PTO licence was issued by the Secretary of State for the provision of telecommunications services in and around Kingston upon Hull (see paragraph 2.8).

*Mercury
Communications
Ltd (MCL)*

2.5 MCL continued to expand the coverage of its network by the provision of high capacity optical fibre or microwave links to most of the major population centres, notably to Scotland. Service is now well established to major users, particularly in the City of London, and plans for a nationwide telephone service for residential customers and those with small businesses are well advanced following a successful trial of the service in the Derby and Nottingham areas. The nationwide service will depend on the growing number of local connections to the systems run by BT, Kingston Communications (Hull) plc and the broadband cable companies.

2.6 MCL also expanded its range of services to include packet switched data services and electronic mail. More international services are now offered through direct connections with overseas countries rather than through interconnection with BT's international services, following the signing of agreements with overseas administrations. Of particular importance are the arrangements with Italy, MCL's first direct correspondent in Europe, which were followed by agreements with Denmark and the Netherlands.

Kingston Communications (Hull) plc

2.7 In November, MCL launched a full international telex service. This followed the determination in July by the Director General of the terms and conditions for the interconnection of the BT and MCL networks. MCL had applied for such a determination under Condition 13 of BT's licence after being able to reach agreement on connection only for national telex services. The determination, made after extensive discussions with BT and MCL, enables MCL in the short term to use most of BT's routes for international traffic but it includes incentives to encourage MCL to negotiate its own agreements with overseas administrations as quickly as possible so that in the long term competition between MCL and BT will be over separate international facilities.

2.8 In November 1987, the Secretary of State revoked the licence granted in 1984 to Kingston Upon Hull City Council to run its Telephone Department, and granted a new dual licence to the Council and to Kingston Communications (Hull) plc, the wholly-owned company established by the Council to run its commercial telecommunications undertakings. The opportunity was taken to incorporate the modifications made to the BT and MCL licences but there were no other significant changes from the previous licence to the conditions governing Hull's operations.

2.9 Discussion on interconnection with MCL progressed to the point where Hull was able to publish a tariff offering its subscribers a choice of BT or MCL for the carriage of national and international calls. The modernisation of the Hull system also progressed with the introduction of itemised billing for customers, who will all be served by new System X exchanges within the next few years. A new packet switched data facility was also introduced during 1987.

Cellular Radio

2.10 The cellular radio networks operated by Racal-Vodafone and Telecom Securicor Cellular Radio (Cellnet) continued to grow rapidly throughout 1987 both in terms of the number of customers and in terms of the area of the country covered. By the middle of the year both operators were able to claim that coverage extended to over 90 per cent of the population, more than two years ahead of their licence obligations. At the end of the year there were around 260,000 customers in total with growth in excess of 11,000 customers each month.

2.11 Towards the end of 1987 network congestion re-emerged as a problem in the London area. However by the turn of the year apparatus capable of using the additional E-TACS (Extended Total Access Communications System) frequencies began to appear and use of these frequencies should ensure that further rapid growth in demand can be accommodated.

2.12 During 1987 both cellular operators published statements of their procedures for giving notice of changes to their systems which affect the use of customer apparatus.

PTO Cable Systems

2.13 The number of broadband cable operators licensed under section 7 of the Telecommunications Act 1984 and specified as Public Telecommunications Operators increased to ten during the year with the granting on 8 May 1987 of a licence to British Cable Services Ltd to run telecommunication systems in the West Surrey and East Hampshire franchise area. This embraces Guildford, one of the 11 interim franchises awarded by the Government prior to the setting up of the Cable Authority.

Two further licences are expected to be issued in early 1988 following public consultation. The number of broadband systems in operation increased from eight to ten with the start of services in April 1987 by East London Telecommunications Ltd to subscribers in its Tower Hamlets and Newham franchise area, and by British Cable Services Ltd in Guildford following the completion of a pilot system on 1 July 1987.

2.14 Whilst television programmes continue to be the main services on offer, the year was highlighted by the Director General making in October the first determination allowing a cable PTO to provide voice telephony services in competition with BT. This allowed Windsor Television Ltd to proceed with a field trial in part of the Slough Industrial Estate, the service being provided in conjunction with MCL under an interconnect agreement between the two companies.

2.15 A number of changes to operators' charges, terms and conditions were notified during the year. OFTEL also had to consider questions relating to changes in the structure of some of the operating companies and to the arrangements for financing the continuing development of their systems.

2.16 Four additional cable franchises were announced by the Cable Authority during the year, bringing the total so far awarded to 26.

Representations

2.17 During 1987 OFTEL received 1,975 complaints and enquiries concerning PTO licensing and related issues, most of which were about BT. These are representations which relate to possible breaches of PTO licences or which raise issues that may result in licence modifications and are distinct from representations from consumers about the service that they have received from BT; this latter group is dealt with in paragraph 4.5. The 1987 total compares with a figure of 1,160 for the previous year. Included in this total is a large number of representations about tariffs and charges, a category which went up from 530 in 1986 to 676 in 1987 (see Appendix 1). The number of representations about the supply and maintenance of wiring and apparatus also rose, from 316 in 1986 to 553 in 1987—largely as a result of questions raised by the liberalisation of internal extension wiring. A rise in complaints or enquiries about unfair competition from 94 in 1986 to 100 in 1987 was recorded. A significant increase in representations about mobile communications from 66 in 1986 to 156 in 1987 can once again be attributed to the growth of activity in this market. Two complaints were received about cable PTOs, relating to the siting of apparatus and to disruption caused by civil works.

Value Added and Data Services (VADS)

2.18 In order to ensure that the PTOs compete on an equitable basis with other service providers operating under the new VADS class licence (see paragraph 3.9), certain modifications to the PTOs' licences were necessary. After discussions with BT, Hull and MCL, those PTOs agreed to the modification of their licences to align them with the VADS class licence. These modifications, made by the Director General in 1987 were the first to the PTO's main operating licences. Amendments will also be made to the licences of the cellular radio and cable PTOs if it is necessary to ensure that they compete on a comparable basis in the VADS market.

2.19 As a consequence of the modifications, the PTOs were required to draft a Code of Practice on the confidentiality of customer information for

their VADS services in consultation with the Director General. Work on BT's Code, together with a revision of its 'Competitive Marketing Guidelines', was completed at the end of the year.

Fees

2.20 Each PTO licence includes a condition governing the fees to be paid by the licensee to the Secretary of State on the granting of the licence, and thereafter on 1 April each year. The renewal fees reflect the costs likely to be incurred by OFTEL in regulating and enforcing the licences. To allow more flexibility in the setting of the fee at the beginning of the year, the licences of BT, Hull and MCL have been modified to allow the Director General to levy a special fee in January of any year to cover any expenses in excess of the annual renewal fee and to meet any costs incurred by the Monopolies and Mergers Commission in considering references relating to licence modifications. The maximum fee permitted in total for any year has not been increased.

Enhanced Maintenance and Priority Fault Repair Services

2.21 BT's new arrangements for these services were introduced on 1 June 1987. BT has been recording the cost of providing the services to enable the Director General to determine what levels of charges would be reasonable in the longer term. The Director General insisted that BT should provide the priority fault repair service on exchange lines to emergency organisations, etc, at half the tariff originally proposed while this exercise is being conducted.

2.22 In June the conditions in BT's, MCL's and Hull's licences covering priority fault repair were modified to give the Director General power to determine, with the agreement of the PTO concerned, that the service should be provided to categories other than those originally envisaged in the licence conditions (which restricted eligibility to persons engaged in the provision of emergency services or the supply of essential goods or services); and that the service may be provided free of charge or at a reduced rate. With the benefit of these new powers BT has continued to provide the service free of charge for residential customers living alone whose lives may depend on the availability of the telephone; and for the lines used to carry 999 calls from the BT operator to the emergency services. MCL and Hull do not make separate charges for these services.

International Accounting

2.23 In March the Director General issued a determination under BT's and MCL's licences of the terms of a Code of Practice in respect of international accounting arrangements. These arrangements govern the payments made between United Kingdom operators and overseas operators for the conveyance of overseas calls. The Code of Practice is important because it establishes a framework within which the two UK long distance carriers can compete in the market for international traffic to the benefit of telecommunications users. The Code obliges BT and MCL to agree exactly the same financial terms with overseas operators unless there are exceptional circumstances. This is known as parallel accounting and will prevent any overseas operator which has a monopoly in its own country from exploiting its monopoly to gain an unfair advantage from the competition between BT and MCL. An exception from parallel accounting can be made *inter alia* where the Director General is satisfied that effective competition exists in an overseas country. The Code does not control competition between BT and MCL within the United Kingdom,

and the companies are free to compete by way of prices charged for international calls.

Numbering Study

2.24 All the PTOs are required by their licences to submit numbering plans to the Director General and inform him of any changes. From 1 April 1990, the Director General has powers to determine the full extent to which a PTO should develop, add to or replace its numbering plan to meet the criteria specified in its licence. In order to provide sufficient information on which to base future decisions in this area the Director General commissioned a study of telecommunications numbering and addressing issues. The study will be undertaken in two parts and the first stage has been awarded to Ovum Limited.

Prices

Controlled prices

2.25 The Director General welcomed BT's decision to peg the main charges for controlled services in November 1987 — the RPI-3 formula would have allowed BT to increase prices of 'basket' services by an average of 1.3 per cent. The only charge increased was the rental of a 'low loss' exchange line, but this had very little effect on BT's revenue.

2.26 During the year the Director General completed a review of BT's low cost routes, that is those routes of 56 km or longer where the lower 'bl' rather than the 'b' tariff applies. His conclusions were that the criteria used by BT in selecting low cost routes were reasonable and were consistently applied; and that the difference between the 'b' and the 'bl' tariffs is a fair reflection of the average cost of providing service over the two sets of routes.

Other prices: rented payphones

2.27 The investigation of BT's rental charges for private rented payphones was completed early in the year. BT was able to show that excessive profits were not being earned on this part of its equipment rental business, but the intention is to keep charges under review. However, the liberalisation of the supply of private rented payphones (see paragraphs 2.41 and 2.42) and consequent introduction of competition into the market should provide a more appropriate safeguard in the longer term.

2.28 Representations were also received about BT's charges for replacement of rented payphones which had been stolen or damaged. At the end of the year OFTEL was awaiting the outcome of a review by BT of its treatment of such cases.

Other prices: operator controlled calls

2.29 Work began during the year on BT's charges for telephone calls controlled by the operator; this stemmed from significant numbers of complaints about the costs of such calls, especially those of longer than average duration. Preliminary information provided by BT appears to support the company's claim that returns on operator services generally are low, but investigations were still in progress at the year end.

Other prices: Telecom Gold

2.30 Many complaints were received in July and August following BT's announcement of a major restructuring of Telecom Gold charges to reflect the volume of characters transmitted as well as the duration of 'connect'

time. BT claimed that the restructuring was essential to protect falling revenues due to increasing use of fast transmission modems and argued that the overall effect would be only a small increase in its revenues. However, although some customers' charges would be reduced by the restructuring, it seemed possible that certain high volume users would face a four or five fold increase in their costs. An investigation of Telecom Gold costings, aiming to establish the link between volume throughput, operating costs and revenues, was still under way at the end of the year.

Service Obligations

Underprovisioning in London

2.31 Waiting lists for BT telephone exchange lines was a subject that came to prominence in 1987. In certain parts of the country applicants for new telephone service face several weeks delay, but the problem is particularly acute in the London area where there is a severe shortage of capacity at some exchanges. The problem resulted from rapid growth in demand coupled with a delay in the delivery of new digital exchanges which were intended to provide additional capacity as well as to improve the quality of service. The situation was exacerbated by deregulation in the financial services industry which created a flood of applications for new service, well in excess of BT's expectations.

2.32 BT has resorted to a number of expedients to cope with the demand and some of these have led to severe disruptions to service for some customers (notably on the 388 and 405 exchanges). OFTEL was most concerned at this deterioration in service and has reviewed with BT's senior management the steps which it is taking to remedy the shortage of capacity. If the Director General feels that extra steps could be taken he would expect BT to adopt them quickly and in any event he is examining, as part of the review of BT's price control rule, the possibility of introducing greater incentives for the company to see that such shortages do not occur again. BT brought in a special task force to rectify the problems in Euston (388) and Holborn (405) and OFTEL has been able to propose a number of improvements in BT's procedures to avoid such problems in future as BT installs further new exchanges and to deal more effectively with customers if major disruption does occur. OFTEL is continuing to monitor the changes in waiting lists, which are expected to be eliminated completely before the end of 1988.

PTO contract terms and conditions

2.33 In August the Director General issued a consultative document on the subject of PTO contract terms and conditions as a result of his investigations of a considerable number of complaints about BT's contracts with its customers and, in particular, the exclusion of liability for delays in fault repairs or the provision of new service. Many complaints also criticised the provisions relating to the terms of payment, the amount of notice to be given of price changes, and BT's right to impose additional unspecified charges in certain circumstances. The main issue on which comments were invited was whether or not it is acceptable for PTOs to seek to exclude by contract any liability for provision of service and whether customer interests are better protected by contractual arrangements or by licence rules or both. Respondents were also invited to give particulars of any other provisions in the contracts of PTOs which were considered to represent an abuse of a dominant position or to operate significantly against the interests of consumers. The exercise was not

confined to BT's contracts, as the contracts of the other PTOs frequently contain similar provisions.

2.34 The consultative document was widely distributed and drew a good response. Contributors ranged from major industrial concerns to private subscribers and came from most areas of the United Kingdom. It was apparent that there was a great depth of feeling that PTOs should be more accountable when service is poor. The majority of respondents were in favour of introducing some limited liability for unreasonable delays in fault repair or the provision of new service. Many respondents were unhappy at the fact that the quality of service to be provided by BT is not precisely defined and customers therefore do not know what they have a right to expect. It followed that the majority of respondents who directly addressed the question, considered the PTOs should be subject to more detailed reporting of timing for fault repair and service provision. A study of the responses to the document convinced the Director General that some changes to BT's contracts were necessary, and he started discussions with BT towards the end of the year.

Premium rate services

2.35 Representations were made to OFTEL on a number of issues relating to premium rate services provided over BT's telephone network. Complaints were received about the advertising and content of certain telephone recorded message services. In September the Independent Committee for the Supervision of Standards of Telephone Information Services (ICSTIS) published a new Code of Practice governing the content of these services and advertisements published by or on behalf of information service providers. The Committee has recommended the withdrawal of several services during the year and BT itself has rejected a number of services likely to breach the Code. Where such services are not withdrawn voluntarily BT has the ability to cut them off. Other complaints to OFTEL have concerned the reduction and withdrawal of a number of BT's Guideline services (provided at local call rates) and their replacement by more expensive, but more detailed, information services at premium rates. However, representations have also been made about BT's continued operation of certain Guideline services, on the grounds that they represent unfair competition and do not comply with the requirements of BT's licence. The Director General is planning to investigate the whole subject of Guideline and premium rate services to ensure that competition is fair and that arrangements for controlling the content are adequate.

2.36 Towards the end of 1987 complaints had begun to increase about BT's 'Talkabout' service and in particular 'Teenage Talkabout'. As a result the Director General will be considering whether the steps introduced by BT in 1986 are adequate or whether further action needs to be taken to supervise the service more effectively or to restrict access to it.

Teletex

2.37 BT advised OFTEL in December 1987 of its intention to withdraw the Interstream 2 and 3 gateways which allow communication between PSTN and PSS based Teletex users, and between all Teletex users and the much larger body of telex customers. It quickly became clear that the proposal would be unwelcome to many Teletex users and as the year ended OFTEL was assessing the impact of the proposal to withdraw facilities in the context of BT's obligations under its licence.

Competition Issues

Supply of telecommunications apparatus

2.38 In March 1987, the Director General published a report summarising the findings of a survey into the effectiveness of competition in the supply of telecommunications apparatus. The survey was undertaken by Inbucon Marketing Research to fulfil the commitment in the consultative document *Effective Competition (Telecommunications Apparatus)* to pursue an active programme to promote fair competition.

2.39 The findings of the survey were generally encouraging with about three-quarters of the interviewees expressing the view that competition was highly or reasonably open and fair. New policies adopted by BT since the survey on the provision of maintenance services and on making available existing internal wiring should improve the position further. Some areas of concern have been pursued with BT. In particular the Director General has been analysing the accounting information on BT's apparatus supply business to establish that it is not being unfairly cross-subsidised. He is also reviewing the arrangements for connection of apparatus to the BT network to ensure that they work as well as possible, and he is encouraging BT to make sure that its staff are aware of and follow its own *Competitive Marketing Guidelines*.

PBX enhancements

2.40 In December the Director General published a report summarising the findings of a study undertaken by Butler Cox & Partners Ltd into the apparent lack of competition in the supply of enhancements to private branch exchanges (PBXs). The aim of the study was to advise about means of increasing competition and, in particular, whether and to what extent a code of practice would improve the way the market functioned. The findings of the study confirmed that the PBX market has seen a progressive increase in competition since liberalisation, but a few manufacturers still account for most of the installed base. Whilst customers initially have a considerable choice of suppliers of PBXs, once the decision to purchase a PBX is made there is often no practical alternative source for any enhancements required later. Over 50 per cent of those responding to the survey were dissatisfied with the process of obtaining enhancements, with many of the reasons appearing to be symptomatic of a lack of competition. In several cases the original PBX supplier had been obstructive when the customer sought competitive quotes, and a few suppliers had been unwilling to provide enhancements or had provided inadequate or misleading information. The study indicated that in the longer term, technological advances may lead to greater flexibility and more choice for users, but in the meantime a code of practice for behaviour at the time of sale of the PBX would provide some protection for users and enable them to take full advantage of competition in the market. The Director General accepted this conclusion and discussions are in train on the establishment of a voluntary code of practice for the supply of PBXs and enhancements.

Provision of payphone services

2.41 In response to the results of the surveys of BT's public call box service (see paragraphs 4.6 and 4.7), the Director General announced that he was considering three methods of introducing competition into the provision of payphone services in order to improve the quality of service available to the public. These were, first, to grant MCL a determination under its licence to enable it to operate public call boxes; second, to

liberalise the market for private payphones; and, third, to license others to operate public call boxes using exchange lines provided by BT and MCL.

2.42 In November the Director General issued the determination to allow MCL to operate public call boxes and MCL has announced plans for its service. The major obstacle to the liberalisation of the private payphone market is the absence of a standard against which payphone equipment can be approved. By the end of 1987 work was well advanced on establishing such a standard. The Director General was also considering whether to advise the Secretary of State to use his powers to license companies other than BT and MCL to operate public call boxes, and also to grant a class licence allowing persons other than the site owners to run payphones on private premises.

Centrex

2.43 In 1986, BT and MCL each announced their intention to offer a Centrex-type service, that is, a service provided from within the public network which replicates many of the features which can be obtained from using one or more PBXs on an organisation's own premises for handling internal calls and distributing incoming calls. BT and MCL were clearly authorised to provide such a service under their licences, and OFTEL welcomed the introduction of a new service which increased customer choice. However, the service raised serious questions about competition with the PBX industry. In March 1987 OFTEL therefore published a consultative document *Centrex: the Regulatory Issues* which outlined a number of regulatory issues relating to the promotion of effective competition.

2.44 One issue considered was that of fair pricing, and in particular that the PTOs should not unfairly cross-subsidise their Centrex services from their other activities. Before launching its service in May 1987, MCL gave the Director General the opportunity to satisfy himself that the proposed tariff adequately covered the costs of the service. MCL also undertook to maintain separate accounts for the Centrex service. BT has agreed to similar arrangements although at the end of the year it had not yet announced its tariffs.

2.45 A second problem was that where Centrex was provided to a customer who was also using private circuits in his network, it would be possible for calls to be routed from the public network in a way which would technically breach the licence prohibition on simple resale services (but where the licence would not be breached if he had used a PBX). To allow the provision of Centrex in such circumstances, the BT and MCL licence conditions relating to the use of private circuits have been modified by redefining simple resale service in terms of a differentiated tariff for Centrex. The revised definition was included in the new Hull licence and will be incorporated in other PTO and non-PTO licences when a suitable opportunity for modification arises. In exchange for the additional freedom the licence modification gave BT and MCL to provide Centrex, they have given undertakings that they will not knowingly provide a Centrex service to a user in such a way that, if he were to use PBXs instead of Centrex, he would breach the routing restrictions on the use of bilateral circuits in the class licence for Branch Systems.

2.46 Other issues relating to the establishment of fair competition such as apparatus standards and approvals, numbering, and means of retailing Centrex and PBXs are still under consideration.

Network termination equipment

2.47 OFTEL received complaints that certain network termination equipment provided by BT as part of its Integrated Digital Access (IDA) pilot services—which provides access to the pilot integrated services digital network (ISDN)—contained additional functions which were proper to customer premises equipment rather than to the operation of a public telecommunications network. In principle all customer premises equipment should be fully open to competition and the PTOs should not incorporate additional features in network termination apparatus (in this case NTE 3 and 4). However, BT argued that a lack of suitable customer equipment meant that it had to provide the features if users were to be able to use IDA.

2.48 After discussions and correspondence with interested parties, it was agreed that BT would—for the time being—be allowed to continue to install NTE 3 and 4 at the customer's request. However, BT also undertook to introduce a new IDA interface which would be equivalent to CCITT's NT1 interface and which would also comply fully with UK regulatory requirements. The Director General's consent—given under Condition 45 of BT's licence—to install NTE 3 and 4 was given for three years in the first instance, to be subject to revocation at 12 months notice thereafter, dependent on periodic reviews of market requirements.

Optical fibre service

2.49 OFTEL also received representations from data processing equipment users and suppliers about the provision of fibre optic private circuits by BT. It had become clear that there was a demand for short links using 'dark' or unequipped optical fibres to join local area networks or to connect data processing facilities situated at 'remote' sites. Such a demand did not seem to be met by BT's new Lanlink services which included an electrical customer interface, whereas an optical connection was sought on technical and operational grounds. This issue also had significant competition implications, because BT's insistence on providing electrical terminations to fibre optic links denied competing suppliers the opportunity of supplying appropriate transceivers or bridges to the customer themselves.

2.50 OFTEL takes the view that the universal service requirement in Condition 1 of BT's licence obliges the company to provide the service of conveying optical signals such as could be carried over dark (ie unequipped) optical fibres. Discussions with BT were still in progress at the end of the year.

Enhanced telex services

2.51 The Director General carried out an investigation of the financing of BT's Telex Plus service following complaints from several independent telex bureaux that unfair pricing was inhibiting them from offering enhanced telex services, such as store and forward or multi-addressing. It was concluded that Telex Plus charges did not fully reflect its costs and that BT's main (Systems) business which includes basic telex was subsidising the Telex Plus operation. BT announced price increases intended to ensure that cross-subsidy was eliminated and that other providers of enhanced telex services could compete on an equal footing. At the end of the year OFTEL was investigating a similar complaint in relation to MCL's enhanced telex services.

Merger references

2.52 No new references to the Monopolies and Mergers Commission (MMC) were made in 1987 by the Secretary of State on which the Director General needed to give evidence or advice. However, in October 1987, GEC and Plessey announced that they had agreed to establish a jointly owned company to continue their worldwide telecommunications businesses. Such a merger could only proceed if GEC was released in part from the undertakings which it gave to the Secretary of State following the adverse report in July 1986 by the MMC on the proposed takeover by GEC of Plessey. The Director General submitted advice to the Director General of Fair Trading to assist with his consideration of whether the Secretary of State should be advised to refer this joint venture to the MMC.

NON-PTO LICENCES, APPARATUS AND CONTRACTOR APPROVALS AND STANDARDS

Branch Systems Licence

3.1 As last year, the licensing of private telecommunication systems connected to and run by users of public systems generated large numbers of enquiries to OFTEL. These came from businesses, local authorities, universities and other organisations. They covered a variety of topics including improvement or replacement of existing systems, the installation of new systems and the provision of new services or simple clarification of the licensing rules for existing systems. The latter area was of particular importance during the year because the licensing regime underwent some significant changes with the issue in February of a revised Class Licence for the Running of Branch Telecommunication Systems (BSGL) and in April of the new Class Licence for the Running of Telecommunication Systems providing Value Added and Data Services (VADS). The administration of VADS is dealt with later in the report, but it had a significant impact on the BSGL-related work because of the large degree of overlap or interface with the systems it covers. Both new class licences therefore generated many enquiries from businesses and other organisations especially those who run private networks which consist in the main of systems run on the licensee's own premises linked by private circuits leased from the PTOs.

Revision of the Branch Systems General Licence (BSGL)

3.2 The Director General gave his advice to the Secretary of State in February following which the revised BSGL was issued and its predecessor revoked. This put in place further liberalisation for users of public networks. It allowed private networks unrestricted access to the public switched networks; it extended the maximum distance over which individual organisations and groups of companies can provide their own off-premises wiring from 50 metres to 200 metres; and reclassified apparatus connected to a single PTO exchange line so that it is no longer 'Call Routing Apparatus' (CRA) (see paragraph 3.26). The opportunity was also taken to clarify some of the rules of the 'old' BSGL, particularly in relation to use of leased circuits which extend beyond the UK and connections between different organisations within the UK. The response to the new licence has on the whole been positive, but when taken together with the additional regulations introduced to liberalise the provision of value added and data services, it has become clear that regulation remains over-complex and cumbersome for users generally and businesses in particular. It has consequently been difficult for OFTEL to administer. There is a need for further simplification in this area.

3.3 The revision of the BSGL prompted a review of applications in hand for special licences for those bodies which had been unable to run their system under the original version of the BSGL, or which were unclear of their licensing position. The review showed that a significant number of applications could be accommodated within the provisions of the revised BSGL, and that individual licences were not required. Applicants were advised accordingly.

3.4 The greater freedom provided by the revised BSGL has also contributed to a reduction this year in the number of recommendations made by OFTEL to the Secretary of State to issue licences (83 compared with 100 in 1986). A list of the licences issued is at Appendix 4. Because of the complexity of the licensing regulations and the systems and networks to which they apply, OFTEL continued the practice of recommending temporary licences for most applicants.

3.5 In dealing with licence applications, OFTEL continued to advise the

Licensing of Value Added and Data Services

Secretary of State to allow small extensions for privately-provided wiring beyond the new BSGL's 200 metre limit (19 such cases were recommended). OFTEL also continued the review of licences which were issued by BT and the Post Office before the 1984 Act took effect.

3.6 These licences remain valid until August 1989 unless they expire or are revoked in the meantime. A 'Licence for the Running of Certain Telecommunication Systems first run before 5 August 1984' was issued by the Secretary of State in August which provided for certain systems which were either exempt or which were allowed by BT as the licensing authority before August 1984. This was a renewal for a further four years of a similar class licence issued in 1984. OFTEL also provided advice to DTI on a number of other class licences which were in the course of preparation.

3.7 OFTEL continued consultations with a number of applicants (53) whose position under the class licences was not clear and with others (31) who wished to develop their systems or networks in ways which are not covered by them. These may or may not lead to a recommendation to the Secretary of State to issue a licence depending on the outcome of the consultations and the extent to which the cases meet the Ministerial Guidelines set out in 1984 on the use of PTO leased lines and principles agreed with the Department of Trade and Industry for users to provide their own fixed links.

3.8 Three licences were revoked during the year, including the 1982 General Licence for Value Added Services and the 1984 Branch Systems General Licence.

3.9 On 30 April 1987 the Secretary of State granted a new class licence of 12 years' duration authorising the running of telecommunication systems providing value added and data services (VADS). It is applicable to all but PTOs, members of their groups and associates. This licence, which had first been proposed in a consultative document issued by the DTI in December 1985, replaced the 1982 VANS General Licence (which was revoked on 30 September 1987).

3.10 The VADS licence authorises the provision of value added services to any customer both in the UK and abroad, and data services within the UK. Such data services need not entail any added value. The licence is more liberal than the 1982 VANS General Licence which authorised only value added services within the UK. All services provided under the VADS licence have to be conveyed by means of fixed links provided by PTOs. Simple resale services are prohibited, as are services comprising no more than the conveyance of voice or telex if offered to customers outside the service provider's Group. Telecommunication services provided without fee to non-Group customers are subject to the same routing restrictions as imposed by the BSGL on messages between the network of the VADS licensee and those to which it is connected. However these restrictions do not apply in the case of data transmission between the licensee and any single customer.

3.11 For Major Service Providers supplying charged services outside their Group the VADS licence contains a number of fair trading conditions and a requirement to offer means of access by any OSI standards which may be specified by the Director General. Major Service Providers are defined in the licence as those whose turnover in relevant services exceeds £1m or whose Group turnover exceeds £50m. The Director has the power

to vary these figures in the light of experience. The fair trading conditions also apply to those providing trilateral services (customer to customer telecommunications over a licensee's network) regardless of size of turnover. Those service providers subject to these conditions are required to register with OFTEL. By the end of the year, 25 companies had registered of whom 22 were Major Service Providers and the remainder trilateral service providers.

3.12 The VADS licence is complex and its interpretation has caused problems for some service providers. This generated many enquiries to OFTEL during 1987. Given the substantial overlap between the VADS licence and the BSGL, licensees have found it difficult to decide which of these two licences is appropriate for the running of their systems. Another problem has been the interpretation and application of the fair trading and OSI conditions in the VADS licence. Many have argued that these conditions are over-burdensome and unnecessary in the context of a liberalised regime.

Other Non-PTO Licences

Wide area radiopaging

3.13 During 1987 two new nationwide radiopaging networks, operated by Mercury Paging (a joint venture between MCL and Motorola) and Racal-Vodapage, entered this highly competitive and fast-growing market which has traditionally been dominated by BT. Several more new companies were preparing to join them at the end of the year.

Private mobile radio (PMR) services

3.14 After some delay occasioned by the shortage of subscriber apparatus, October saw the launch of the first of a dozen new trunked PMR operators variously licensed to operate in London, the regions, and nationally. Although the licensees' marketing strategies differ, all essentially provide a service for brief communications between mobile workers and their bases at a lower cost than cellular radio. They therefore add to the growing range of telecommunications options available to those on the move and are expected to grow rapidly during 1988.

Non-PTO cable systems

3.15 Following the completion in December 1986 of the pro-forma licence for the running of Satellite Master Antenna Television (SMATV) systems serving more than one set of premises, the Director General has advised the Secretary of State on the issue of 28 licences to individual SMATV operators.

3.16 During the period of this report 68 SMATV applications were referred to OFTEL for advice. This represents a considerable increase on last year (22) and is evidence of the continuing growth in interest in the provision of SMATV services. OFTEL advised the Cable Authority on 51 applications for diffusion service licences under the Cable and Broadcasting Act 1984.

3.17 Two complaints about SMATV services were received during the year, both concerning cable systems which provide services in areas where the erection of TV masts is prohibited.

3.18 1987 was the first full year in which the Director General exercised the authority granted to him by the Secretary of State in December 1986 to designate telecommunication standards and approve telecommunication apparatus. During the year applications for type approval exceeded those

Approvals

of 1986 by more than 40 per cent and many fewer site-specific approvals have been needed to enable users to benefit from apparatus for which no type approval route exists. Nevertheless the year has seen two notable site-specific approvals; in December the Director General approved the connection by the Stock Exchange of the first privately used System X exchange to provide a PAX facility and the use by BP of the first privately provided microwave link carrying telephone traffic between the public networks and an off-shore oil rig.

3.19 In September the Director General issued a general approval to allow the connection of all existing approved apparatus to the MCL network. Similar approvals will be issued in 1988 to allow connection to the networks run by those cable companies which will offer speech telephony. Much of the work of the approval section of OFTEL in 1987 was devoted to filling the gaps in the telecommunication standards portfolio and streamlining the procedures for approval of apparatus to meet the needs of suppliers and manufacturers. It is therefore particularly welcome to report that the pilot scheme introduced by the British Approvals Board for Telecommunications (BABT) in June for the approval of a wide range of non-Call Routing Apparatus (except cellular apparatus) has been universally welcomed by suppliers, and has significantly reduced the time taken to obtain approval. BABT estimates that fully compliant apparatus could complete all approval procedures within five weeks under this scheme. OFTEL will conduct an independent survey of the scheme when it has run for a year, but it is already clear that the scheme is a success, and will enable the UK to migrate smoothly to the procedures required to give effect to EC Directive 86/361 on the mutual recognition of telecommunications regulatory test results.

3.20 The development of BABT's resources throughout the year has enabled a much greater involvement of BABT in all aspects of the regulatory regime, and in 1988 it will take over from OFTEL the responsibility for dealing with all enquiries about the approval of those products for which it is the evaluation authority. 1988 will see a gradual transfer of evaluation responsibility from BT Teleprove to BABT.

Type approvals of apparatus

3.21 In February 1987 OFTEL announced a new open scheme for the approval of key telephone systems, automatic call distribution apparatus and certain other types of Call Routing Apparatus (CRA). This allowed suppliers of such apparatus to apply without restriction to BABT for evaluation for type approval. So far 27 products of these kinds have been submitted to BABT for evaluation. This scheme will be extended next year to cover all types of CRA including PBXs. In September OFTEL announced special arrangements for the approval of call barring enhancements to approved telephones, pending the completion of the BABT special investigation test schedule (SITS) expected early in 1988.

3.22 A total of 1,320 items of apparatus were type approved during the year, and for the first time OFTEL received nearly as many approval recommendations from BABT as from BT. This marks an important step towards the complete transfer of evaluation authority away from PTOs.

3.23 No approval was withdrawn but 428 existing approvals were varied. These resulted mainly from enhancements to approved apparatus or the

granting of unqualified approval to apparatus, approved under BABT's interim approval arrangements, on the completion of all regulatory testing. A few variations were made because the approval holder no longer wished to supply the apparatus, though the approval must remain in force in respect of existing installations.

Non type approvals of apparatus

3.24 A total of 261 non type approvals were granted. Of these 83 were to allow test and development of apparatus or CRA field trial evaluation. Others were for one-off items of apparatus including short-term approvals for demonstration or exhibition purposes.

Maintenance contractor approvals

3.25 During 1987, 117 approvals under section 20 of the Telecommunications Act 1984 were granted to independent contractors wishing to maintain items of CRA. Ten contractors received approval for the first time during the year, receiving 20 approvals in all. No approvals were withdrawn during the year, but three variations were made to approvals. On 31 December there were 371 approvals in force held by 67 contractors in respect of 111 models of CRA.

Deregulation

3.26 The revised Branch Systems General Licence issued by the Secretary of State in February 1987 provided for a redefinition of the term 'Call Routing Apparatus' in all licences granted under section 7 of the Telecommunications Act 1984. The new definition removed from this category all apparatus connected to only one exchange line. So, in addition to removing the requirement for approved maintenance procedures from all apparatus no longer in this category, the definition also allows apparatus which is not capable of attachment to more than one exchange line to be connected by a plug and socket and therefore not subject to installation or inspection by the PTO to whose network it is connected.

Liberalisation

3.27 During 1987 BT introduced a new network termination device—the NTE 5—with the intention of using it for all new single exchange line installations in 1988. OFTEL has begun work on the arrangements which will allow users to hardwire extension wiring into the NTE 5. These are due to be announced early in 1988. The extension of this to allow independent installation of master sockets is still under consideration by the Director General.

3.28 During the latter half of the year a consultative group was set up by OFTEL to consider the approval requirements necessary to liberalise the supply of payphones. At the year end a draft standard had been produced and it is intended to consult the Advisory Committees for Telecommunications to ensure that consumer interests are protected. The standard is expected to be issued in the first quarter of 1988 and BABT will then accept requests for evaluation against it for all types of payphones as well as apparatus which provides add-on payphone facilities to other telephones.

Standards

3.29 Apparatus is approved in the UK by testing against regulatory standards. Most apparatus is tested against British Standards although these are supplemented by interim standards produced by DTI in the past and now by OFTEL. The interim standards will be replaced by British Standards in due course. As well as these general standards it is occasionally necessary to draft special specifications in respect of innovative products.

Telecommunications Standards Review Committee

3.30 In February 1987 the Director General published the report of the Telecommunications Standards Review Committee. This Committee, chaired by Major General A C Birtwistle, examined the potential for change in the standards making process to speed up the production of standards and to decrease the time and money spent on testing against them. The report contained minority reports by four of the major organisations represented on the Committee and, in view of the lack of consensus reached, the report was published in association with a consultative paper. During the course of 1987 OFTEL has been examining the responses to the consultative paper and the results of the Director General's consideration of these and of the findings of the report are expected to be published early in 1988.

European developments

3.31 In July 1987 EC Directive 86/361 for the mutual acceptance of test results came into force. As a result apparatus tested against European standards (NETs) by any suitably accredited laboratory in Europe may not be tested again against that standard in any other EC country. The production of the first NETs in Europe has been under way during the year and the first three are now expected to be agreed in the Spring of 1988. When NETs are agreed they will replace the relevant British Standards as the legal approval requirements for apparatus within their scope.

Standards issued in 1987

3.32 During 1987 a number of new standards and amendments and additions to existing standards have been in the course of preparation. OFTEL plays a significant part in the BSI committees that produce British Standards and has been involved in the production of interim standards which will be issued in advance of the relevant British Standard. In 1987 the following **British Standards** were published:

BS415	(Safety requirements for mains operated and related apparatus for household and general use)	Amendment 3	March 1987
BS6301	(Safety requirements for apparatus connected to telecommunications networks)	Revision	September 1987
BS6484	(Safety requirements for independent power supply units)	Amendment 2	September 1987
BS6701	(Code of Practice for installation of apparatus intended for connection to certain telecoms systems)	Part 2: Call Routing Apparatus	November 1987

BS6789	(Apparatus with one or more particular functions for connection to the PSTN)	Section 6.1: Specification for series-connected apparatus having maximum allowable impairments Part 3 Section 3.2 Auto-answer and auto-clear	January 1987
BS6833	(Apparatus using cordless attachments (excluding cellular radio apparatus) for connection to analogue interfaces of public switched telephone networks)	Parts 1 and 2	December 1987 June 1987

3.33 Work has also been carried out on the preparation of a standard for apparatus to be connected to the packet switching service as well as standards for apparatus to be connected to the integrated services digital network (ISDN) and to digital private circuits.

Designations

3.34 Once a standard is designated it has the force of law. During 1987 no standards were designated but draft designations were circulated for comment in respect of BS6317, BS6789 and BS6833. Following consultations these designations must be submitted to the EC Commission under EC Directive 83/189, after which member states are permitted at least three months to comment. The designation cannot come into force in advance of this standstill period, but if no objections are raised by member states formal notice is then required to be given by the Director General to the PTOs and the public of the designation. It is anticipated that the designation of BS6317 can be finalised early in 1988 and that the draft designation of BS6789 will be notified to the EC Commission in the near future. The designation of BS6833 was notified to the EC Commission in August 1987 but following an objection by the EC Commission a standstill has been applied to that designation until August 1988.

OFTEL standards

3.35 During 1987 a working group chaired by OFTEL has been producing interim requirements for PBXs with telecommunication ports, to supplement the requirements for the approval of PBXs contained in BS6450. This standard is necessary to allow for the open scheme for the approval of PBXs, which OFTEL wishes to introduce during 1988, to be fully comprehensive in the PBX features and facilities that it can cover. The work on ports has broken much new technical ground in setting requirements and has as a consequence taken longer than was originally expected. It is hoped that the first section, that dealing with requirements for analogue ports, will be published in the first quarter of 1988 followed shortly by sections related to digital ports.

Direct dial in (DDI) requirements

3.36 The current approval requirements for DDI PBXs contained in BTR 1050 Issue 6 Annex F and DTI standard 84/012 Annex 7 include several mandatory requirements relating to major equipment failure (MEF), call answer and power failure. In 1987 OFTEL in association with users, the PTOs and the supply industry conducted a study to ascertain whether the requirements could be revised. As a result a variation to these PBX requirements will be issued early in 1988.

Provisional Networking Code of Practice

3.37 During 1987 consultation continued with those organisations which contributed to the production of the Provisional Code of Practice for the Design of Private Branch Telecommunication Networks (NCOP) which was published in 1986. The Code of Practice has not been given regulatory force as yet in order to allow OFTEL and users to gain experience of its application to private networks and also because some of the necessary information to check compliance with it is not obtainable in advance of the issue of the PBX ports standard. However many comments have been received on the provisional NCOP so far and further areas of work have been identified for the future, notably the application of the NCOP to international networks. Work has taken place during the year on the production of a simplified set of NCOP requirements for smaller private branch networks. This is necessary because the full requirements, as set out in the provisional NCOP, are considered to be unnecessarily complicated for small networks involving only one private circuit. It is hoped to publish these requirements early in 1988.

NCOP Temporary Site-Specific Approval Scheme

3.38 The opportunity to take advantage of the relaxations in the BSGP following its revision in February 1987 for the extension of PSTN traffic within a network has been severely hampered by the lack of approved apparatus. Until the appropriate requirements for PBXs are published it is not possible for the type approvals of PBXs to be enhanced to allow for the extension of PSTN traffic. In October 1987 OFTEL therefore announced a temporary scheme to allow site-specific approval to be given to apparatus incorporated in private networks where it is desired to extend PSTN traffic within the network. This scheme enables an operator of a private network to take advantage of the BSGP provisions that allow extension of PSTN traffic provided he can do so without introducing unacceptable levels of impairment into call paths carrying public network traffic. The arrangements call upon the provisional NCOP and are designed to be compatible with the long-term arrangements for type approval of CRA which will come into force on completion of OFTEL's work on the ports standard mentioned earlier. This temporary scheme will run for two years only, by which time it will be possible for all apparatus to obtain type approval and the need for the scheme will disappear. To assist operators to prepare technical data for submission to the evaluation authorities and take advantage of this scheme, OFTEL has been preparing guidance notes on the scheme. Although there are no mandatory requirements for the presentation of this information it is likely to be helpful for assessment if data can be presented in a uniform and logical manner and the notes will be designed to suggest how to achieve this. The guidance notes are due for publication in January 1988.

The Telecommunications Apparatus Marking and Advertising Orders; The Unapproved Cordless Telephone Restriction Order

3.39 During 1987 OFTEL monitored compliance by suppliers, distributors and advertisers with the Marking and Advertising Orders and provided advice on these to suppliers and to Trading Standards Officers. OFTEL also assisted Trading Standards Officers with several successful prosecutions relating to these orders and has provided enquirers with information on the provisions of both. Orders restricting unapproved cordless telephones came into force in May, and the updated OFTEL explanatory brochure *Marking and Advertising Telecommunication Apparatus* now provides information on the restrictions that apply to cordless telephones.

PTO metering systems

3.40 The Telecommunications Act 1984 provides for the approval of PTO call metering systems. During 1987, as part of a package that the Director General has been considering to increase users' control over the use and cost of the telephone service, OFTEL has been examining the ways of implementing an approval scheme for PTO call metering systems. The Director General is expected to advise the Secretary of State early in the new year on an appropriate new scheme which will build upon the PTOs' existing monitoring arrangements but extend them to provide for independent assessment and auditing by BABT in conjunction with the British Standards Institution.

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

3.41 The Working Group on Telecommunications for the Hearing Impaired (WGHI) advises the Director General on technical problems in meeting the telecommunications needs of hearing impaired people. Included in its membership are experts familiar with telecommunications manufacturing and research and representatives of various voluntary organisations.

3.42 The Group has initiated a research project to identify the optimum means of coupling the acoustic output from telephones to hearing aids. In June OFTEL published a *Guide to the Requirements for Text Communication Equipment for Use by Hearing Impaired People and Others* produced by the Group, and work is well advanced on the production of a Code of Practice for the use of amplified handsets. The Group works closely with DIEL (see paragraph 7.69) and provides representation where appropriate to the European Organisation for Cooperation in the field of Science and Technology (COST) in respect of projects for the disabled. The Group has also been investigating the problems of obtaining approval for apparatus designed for disabled people.

CONSUMER AFFAIRS

*Codes of Practice for
Consumer Affairs*

4.1 OFTEL has a number of specific responsibilities to promote the interests of consumers. These include the monitoring of compliance with Codes of Practice, the consideration of consumer complaints and wider issues arising from them, and the monitoring of quality of service.

4.2 MCL began to provide switched voice telephony services in 1986 and it is required by its licence to publish a Code of Practice for Consumer Affairs, which clearly sets out consumers' rights and the sort of service they may expect. The Director General has approved the principles comprised in the revised draft Code submitted by MCL in December 1987 and this will be published in 1988.

4.3 Condition 27 of BT's licence requires it to consult the Director General at least every three years about the operation of its Code of Practice. After consultations with the national Advisory Committees on Telecommunications, with the local Telecommunications Advisory Committees (TACs), and with national consumer groups, discussions have begun with BT about a revision of the Code.

*Telecommunications
Code*

4.4 The Telecommunications Code at Schedule 2 to the Telecommunications Act 1984 governs the rights and obligations of PTOs when siting their apparatus on public and private land. The exercise by PTOs of their rights under the Code has continued to give rise to queries about the extent of their powers, chiefly from those who have been affected by the installation of such apparatus. OFTEL has continued to monitor the exercise of Code powers and to provide advice to complainants in cases where the Code has not been followed or where the complainant feels his or her interests have been adversely affected by the operation of the Code.

*Complaints about
Telecommunications
Services*

4.5 The main areas of concern to residential and small business users of telecommunications services and apparatus are reflected in the representations made to OFTEL and to the four national Advisory Committees on Telecommunications. The figures for 1987 show an increase of over 77 per cent in the number of complaints and inquiries received by OFTEL and the English Advisory Committee (which account for the large majority of such representations in the UK) over the corresponding period for 1986. Consumer concern has continued to centre around disputed accounts, charges/rentals, and delays in provision of service and in dealing with faults.

*Public Call Box
Services***Reliability**

4.6 The terms of BT's licence require it to maintain a public call box service to meet all reasonable demands. OFTEL continues to receive complaints covering most aspects of the service but principally relating to unserviceable call boxes. The second annual OFTEL survey of the quality of the public call box service was conducted in conjunction with the TACs and, in addition, a separate thirty-day survey of call boxes in the Greater London area was commissioned from the market research company, Mass Observation (UK) Ltd. The results of the 1987 survey were published in September. The surveys showed a deterioration of service as compared with 1986. Overall, 23 per cent of call boxes were found to be out of order—this is a weighted average of the 38 per cent found to be out of order in Greater London and 21 per cent in the rest of the UK.

4.7 It was particularly worrying to note that the London survey revealed significant numbers of boxes which were out of order for substantial periods. As a result of the disappointing results, OFTEL and BT jointly

sponsored a monthly survey by MAS Research Marketing and Consultancy of a random sample of call boxes across the UK in order to monitor performance and the follow-up action on faults. Results of the first two of these surveys covering the period from mid-October to mid-December were disappointing. The figures for the total number of working call boxes in each period were 75.8 per cent and 77.2 per cent.

4.8 BT has said that it aims to achieve 90 per cent call box reliability by the end of March 1988. The Director General will continue to monitor the situation closely.

Competition

4.9 The three methods which the Director General considered for introducing competition in payphone services are discussed in paragraphs 1.16, 1.17, 2.41 and 2.42.

Modernisation

4.10 BT's public call box modernisation programme has continued, with many of the familiar red kiosks being replaced with new housings designed to be more vandal resistant, easier to clean and offering easier access for disabled people. At the same time BT is continuing to convert increasing numbers of its call boxes to Phonocard installations which are also thought to be less susceptible to damage from vandalism. However, the results of the 1987 call box surveys have not demonstrated the same high level of reliability for Phonocard call boxes as appeared in the 1986 survey, although Phonocard call boxes are still more reliable than coin-operated call boxes. OFTEL will continue to monitor the introduction of Phonocard boxes to ensure that BT maintains sufficient cash call boxes to satisfy consumer preference where there is no history of vandalism. OFTEL will look very closely at the results of future call box surveys to monitor the relative performance of coin- and card-operated telephones.

4.11 The housings modernisation has drawn criticism from people who prefer the old-style red housings and who regard them as part of our national heritage. As a result, certain styles of these kiosks are being listed as being of special architectural or historic interest. While the Director General accepts that there may well be merit in the heritage point of view, it is worth bearing in mind that disabled people, especially those in wheelchairs, and some elderly people, have difficulty in accessing the old-style boxes.

4.12 OFTEL will continue its close monitoring of public call box issues.

4.13 The work on measuring the quality of telephone services was further extended in 1987. As in 1985 and 1986 OFTEL continued to use NOP's Random Omnibus Surveys of public opinion to examine aspects of the domestic telephone service and public call boxes.

4.14 In 1987 members of the TACs again carried out surveys in their areas of domestic phone calls as well as the call boxes mentioned earlier. The numbers of volunteers who participated in the 1987 surveys were, regrettably, lower than in 1986 but, thanks to the efforts of those who did respond, a great deal of useful information was obtained.

4.15 In addition to those surveys, a panel of 500 TAC volunteers are monitoring on an experimental basis BT's fault repair service over a twelve-month period, ending on 30 April 1988.

4.16 In October 1987 an OFTEL Report was published containing the results of the surveys by the TACs and by NOP on the quality of the domestic telephone service in 1987, and details of the representations received by OFTEL about telecommunications services during the fiscal year 1986–87. At the same time BT recommenced publication of its own quality of service statistics, as it had been pressed to do for some time by the Director General. The figures for the months of March to September 1987 established that BT's performance deteriorated in 1987—largely as a consequence of previous industrial action. However, by the end of the year significant progress towards re-establishing previous levels of performance had been achieved.

4.17 In view of BT's decision to recommence publication of its own quality of service statistics, the Director General decided that it would not be appropriate for OFTEL to conduct another comprehensive study of its own on call failures using the TACs in 1988. However, he said that OFTEL would continue to commission public opinion surveys, broadly on the same lines as in previous years. He said that, in continuing OFTEL's work on quality of service, his objectives will be to improve his understanding of consumers' attitudes to BT's performance, to obtain evidence about the reliability of BT's statistics—as necessary—and to cover topics that are not dealt with in BT's statistics. OFTEL has much to gain from conducting independent investigations, partly because of the important links which can be forged with consumers, and partly because investigations can often identify problems which need fuller study.

Liaison with Local Advisory Committees

4.18 There was a slight contraction of the TAC network during 1987 when two Committees ceased to operate, bringing the total to 165: 136 in England, 15 in Wales, 9 in Scotland and 5 in Northern Ireland. OFTEL has continued to publish *Newsline* bulletins through which the Committees are kept abreast of particular telecommunication issues. In addition to that publication, which is designed solely for the TAC network, the Committees also receive a great deal of other information material from OFTEL. The contact with the TACs through *Newsline* has continued to be supported by visits by OFTEL staff to meetings both of individual TACs and of Chairmen and Secretaries in their regional groupings. These meetings, together with minutes of all TAC meetings and a considerable amount of correspondence between Committees and OFTEL, continue to provide an invaluable source of information about grassroots opinion and concerns, as well as assisting in the monitoring of the performance of the PTOs, in particular BT.

4.19 Many TACs were involved in the quality of service surveys undertaken by OFTEL during the year (see paragraphs 4.6, 4.14 and 4.15).

4.20 The Director General continues to attach importance to the work of the TAC network and has welcomed proposals, in which members of his staff have been involved, to establish new Committees; it is hoped that these initiatives will come to fruition during 1988. But the position as regards Greater London remains disappointing. Discussions have taken place with representatives of most of the London boroughs and it is hoped that this will lead to the establishment of a much wider TAC network in the metropolitan area.

INFORMATION AND PUBLICITY

Statutory Registers

5.1 Under the provision 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 approvals;
- (c) all approvals of apparatus and designations of standards under the Act, along with any variations or withdrawals relating to them.

5.2 At the end of 1987 the register of licences numbered 227. The number of new licences issued in 1987 was 57. A list of non-PTO licences added to the register is at Appendix 4.

5.3 The approved contractors' register consists of particulars of contractors approved by the Secretary of State since 5 August 1984. 371 contractor approvals were in force at 31 December 1987. Details of the 1987 approvals for contractors are given in Section 3.

5.4 The approved apparatus register includes documentation on individual items of apparatus approved by the Secretary of State since 5 August 1984 and by the Director General since 1 December 1986. Also included are particulars of apparatus approvals issued under the British Telecommunications Act 1981 prior to 5 August 1984. At 31 December 1987, 8,189 approvals were in force. Details of 1987 approvals for apparatus are given in Section 3.

5.5 During 1987 key particulars of apparatus approvals and contractor approvals continued to be entered on computer to facilitate the handling of public enquiries. A total of 854 such enquiries were made in 1987. All registers are available for public inspection at OFTEL Library between 10 am and 4 pm on normal working days.

Publications

5.6 OFTEL issued 24 new publications during 1987 and published three issues of *OFTEL News* which is now distributed to 17,000 readers each quarter. New publications included the following Reports: Telecommunications Standards Review Committee; Competition in Apparatus Supply; British Telecom's Service at Public Call Boxes; British Telecom's Quality of Service; and Competition in the Supply of PABX Enhancements. The new booklet *A Basic Guide to Telex, Electronic Mail and Fax Services for Small Businesses* has proved to be very popular as has the consultative document on *PTO Contract Terms and Conditions*. Eight technical *Updates* were also published.

5.7 The Director General published the following Statements during 1987:

- February —Director General's Statement on the Report of the Telecommunications Standards Review Committee
- Revision of the Branch Systems General Licence
- March —Code of Practice on International Accounting Arrangements
- July —British Telecom's Quality of Service
- September—British Telecom's Billing Procedures
- November—Telephone Service and Prices

Press and Broadcasting

A full list of publications issue by OFTEL during 1987 is shown at Appendix 5 to this report.

5.8 The Director General has continued to be in great demand to contribute to television and radio programmes particularly on news bulletin broadcasts. He has pursued his policy of taking opportunities to explain OFTEL's policies to wide audiences. Television appearances this year included BBC TV News (six times), Channel 4 News (twice), ITN News (twice), TV AM, London Plus, and Business Daily. In addition he has contributed towards programmes for Canadian Television and Bavarian Television. Radio broadcasts included the 'Today' programme (three times), BBC News (four times), the Jimmy Young Show, 'World at One' and 'You and Yours'. He also broadcast many times on local radio programmes. The Deputy Director General appeared on the BBC 'Newsnight' programme and on LBC News.

5.9 OFTEL's work and policies were reported comprehensively in the quality national newspapers. Twenty-six press releases were issued during the year which ensured that, together with the press interviews given by the Director General, regular favourable coverage was achieved.

Conferences, Seminars and Exhibitions

5.10 Participation in Seminars, Exhibitions and Conferences play an important part in OFTEL's strategy to keep the telecommunications industries, consumerists and consumers aware of current issues, regulatory changes and the Director General's role in shaping future developments.

5.11 A full programme was undertaken in 1987 the highlight of which was OFTEL's participation in the World Telecommunications Exhibition (*Telecom '87*) held in Geneva. The Director General delivered a paper—'Integrating Technology with Telecommunications Policy'—at the Forum which ran concurrently with the exhibition. Most of the foreign visitors to OFTEL's stand were interested in the progress of liberalisation and the emergence of competition. OFTEL continued to forge links with consumer organisations and staff attended the Consumer Congress in Liverpool in March, and the National Association of Citizens Advice Bureaux Conference held in York during October. The Advisory Committee on Telecommunications for Elderly and Disabled People (DIEL) exhibited in Harrogate and the Advisory Committee on Telecommunications for Small Businesses attended the Confederation of British Industry Annual Conference held in Glasgow in November.

5.12 OFTEL participated in the following events during 1987:

Telecommunications industry

October —World Telecommunications Exhibition, Geneva

November—COMEX, Sandown Park

December—Annual Conference of the Telecommunications Managers Association, Brighton

Consumer events

April —Consumer Congress, University of Liverpool
—Nottingham Ideal Home Exhibition

June —Royal Highland Show, Edinburgh

July —Royal Show, Kenilworth
—Royal Welsh Show, Builth Wells

October —National Association of Citizens Advice Bureaux
Annual Conference, University of York

*The Advisory Committee on Telecommunications for Disabled and Elderly
People*

May —Elderly and Disabled Exhibition, Harrogate

The Advisory Committee on Telecommunications for Small Businesses

November—Confederation of British Industry Annual
Conference, Glasgow

Oftel Library

5.13 OFTEL Library primarily exists to provide a bibliographical, reference and information service for OFTEL staff. However, it is available to the public for reference purposes when the information required is not easily available elsewhere.

5.14 The Library also acts as OFTEL's publications sales point and it houses the public registers of approved apparatus, contracts and licences.

5.15 The Library specialises in material on telecommunications, consumer affairs, information technology and competition policy. Regularly updated bibliographies are produced relating to these subjects. The Library also publishes a list of OFTEL publications and a guide to the Library and public registers.

5.16 During 1987 the Library dealt with 5,200 general and public register enquiries and 654 people visited the Library. A total of 3,937 copies of various OFTEL publications were sold.

TECHNICAL ACTIVITIES

6.1 1987 was a year of consolidation for the Technical Directorate. No new appointments of permanent staff or of consultants were made with the result that the Directorate has been staffed at slightly below its full complement. Recruitment exercises within the Civil Service are in hand with good prospects for filling at least some of the vacancies in the first half of 1988.

6.2 During the year, the Directorate has given advice to the Director General and to the policy branches on a number of major issues which have included the temporary provision of additional frequencies to the two cellular radio operators out of the bands reserved for the European GSM system, the BT/MCL interconnection determination on international telex services, and the difficulties which BT has experienced in the provision of service at Euston and in other areas of London.

6.3 The work of the Standards Section has continued with its staff attending most of the TCT meetings of BSI and becoming increasingly involved in commenting on the drafts of NETs—the new European standards. During the year, TCT6 asked OFTEL for guidance on the treatment of jitter in approval standards and this request led to a substantial investigation of jitter and its effects on the private circuits provided by BT and MCL.

6.4 The Casework Section has experienced steady growth in the number of cases on which its advice has been sought. During the year it has handled some 100 cases, a significant proportion of which have concerned complaints about the accuracy of BT's metering arrangements. It has also provided a great deal of day to day advice on technical issues arising from the approvals regime and from the provisional Networking Code of Practice, and has drafted a Provisional Requirement for the Fixed Part of Private Mobile Radio Networks (PMRNs).

6.5 After the issue of the Value Added and Data Services Class Licence, the Directorate published a paper on *Numbering Arrangements for Value Added and Data Services* and has given lectures at various conferences on the working of the Open Systems Interconnection (OSI) and the numbering conditions of the licence. The Directorate has kept a watching brief on the development of OSI standards which may be scheduled by the Director General under Condition 17 of the VADS licence, but has concluded that the provision of conformance testing and the availability of software have not yet developed sufficiently for OSI standards to be scheduled, although X400 has emerged as an early candidate.

6.6 To help new non-technical staff who join OFTEL without previous knowledge of telecommunications, the Directorate has run a number of short courses to explain how basic telecommunications and radio systems work.

6.7 The year ended on a sad note with the retirement on ill-health grounds of the Technical Director, Derick Tatham.

REPORTS OF ADVISORY COMMITTEES

7.1 Under section 54(1) of the Act the Secretary of State was required to establish advisory bodies for telecommunications matters affecting England, Scotland, Wales and Northern Ireland respectively.

7.2 The Director General was also required under section 54(4) of the Act to establish advisory bodies for telecommunications matters affecting small businesses, and for telecommunications matters affecting persons who are disabled or of pensionable age. These two committees are known as BACT and DIEL respectively.

7.3 The following reports from the six ACTs have been made to the Director General as stipulated in section 54(7) of the Act.



*Mr R Hutton,
Chairman of the
English Advisory
Committee on
Telecommunications*



*Mr GCC Duncan,
Chairman of the
Scottish Advisory
Committee on
Telecommunications
(until 31 August 1987)*



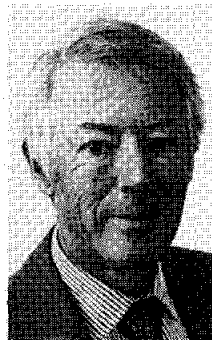
*Professor J R Webster,
Chairman of the
Wales Advisory
Committee on
Telecommunications*



*Mr J J Eccles, JP,
Chairman of the
Northern Ireland
Committee on
Telecommunications*



*Mr D Hobman, CBE,
Chairman of the Advisory
Committee on
Telecommunications for
Disabled and Elderly
People*



*Mr H Kleeman, CBE,
Chairman of the Advisory
Committee on
Telecommunications for
Small Businesses*

Introduction

7.4 The English Advisory Committee on Telecommunications (ENACT) met on four occasions during the year and was pleased to welcome the Director General of Telecommunications or his Deputy to each of its meetings. Two new members, Mr Cooper and Mr Maynard, were appointed by the Secretary of State for Trade and Industry during the year. A list of members of the Committee as at 31 December 1987 is annexed to this report.

Advice to the Director General

7.5 The Committee offered its views and comments to the Director General on several issues during the year, in particular:

- (a) the recommendations of the Birtwistle Report on Telecommunications Standards and Approvals;
- (b) the fairness and adequacy of Public Telecommunication Operators' (PTOs) contracts and conditions of service;
- (c) the development by OFTEL of an independent quality of service information system; and
- (d) variation in customer relations practices followed by different British Telecom (BT) Districts.

7.6 In its response to the Birtwistle Report, the Committee endorsed the general view that approval procedures should be streamlined to encourage a faster through-put of new products and to stimulate technical innovation, especially amongst smaller companies endeavouring to break into or develop their standing in the telecommunications market. However, the Committee was anxious that this should not be taken to extremes whereby standards might be prejudiced and PTOs' employees and users put at physical risk. Consumers in particular should continue to receive clear guidance that products designed for their use were safe and reliable.

7.7 The Committee welcomed the Director General's consultative document on the fairness and adequacy of PTOs' contract terms and conditions which was the subject of lengthy discussion over two meetings. We were particularly concerned with the volume of complaints which had been lodged with OFTEL by businesses about BT's refusal to accept any contractual liability for delays in providing services by agreed dates or to repair faults in a reasonable time.

7.8 We recognised that it was common commercial practice elsewhere to exclude liability from contracts, especially in respect of claims for consequential losses. But in most instances customers had a choice of suppliers which provided the necessary incentive to perform to expectations. However, in switched telephony services BT still remains the sole supplier of services available to most customers, especially small businesses and householders. Moreover, the loss of telephone services to a company could soon result in heavy losses or even force it out of business altogether. On the other hand, we did not think it would be fair to expose BT to unlimited claims for damages which would be difficult to quantify.

7.9 It was therefore our view that some form of limited liability should be introduced into BT's contracts, the purpose being to provide management and staff with a direct incentive to meet agreed provision of service dates and to repair faults within a reasonable time. This liability might take the form of a penalty consisting of a specific percentage of the contract value for every day that exchange or leased lines and equipment were not installed and operative or faults were not rectified after the contracted

dates or periods. We thought that the same level of contractual liability should be applied to all contracts for BT's basic services and that the other PTOs should be asked to make comparable amendments to their contracts where they contained similar exclusion of liability provisions to those of BT.

7.10 We took a special interest in the work being undertaken by OFTEL to develop a system of proper monitoring of BT's quality of service performance. We were encouraged by BT's decision to reintroduce publication of its own performance indicators but we considered that this should not deflect OFTEL from continuing efforts to monitor BT's performance and to establish its own independent indicators of performance. Although we felt that businesses and private telephone users shared common problems and dissatisfaction with their telephone service, we thought it was important for greater efforts to be made to investigate businesses' experience of telecommunication services, with particular attention being paid to the length of fault repair times, line quality, time taken to obtain calls and to get through to Directory Enquiries. Also, it was our opinion that, whilst OFTEL should concentrate its efforts on those areas where BT retained a monopoly, this should not exclude OFTEL from carrying out checks on the performances of the other PTOs.

7.11 The Committee was not satisfied with several aspects of BT's relations with its customers, particularly where, in our view, policies were put into practice in different Districts in different ways and were not always working to the benefit of users. One case in point was our opinion that BT gave out insufficient publicity and information on cashless Phonecard public call boxes on a national basis to all customers who were likely to want to use them. We were especially concerned that familiarisation with these new style call boxes should not be confined to the immediate areas surrounding the sites where they were located and that a more consistent policy of publicity to familiarise the public outside the main cities with their use should be undertaken on a national basis. We discussed these concerns with BT's Director responsible for the services and although we recognised that plans were already in preparation, we were pleased to note that following these discussions BT undertook a campaign during the latter part of 1987 to improve public awareness outside London of its Phonecard call box services.

7.12 The Committee noted with concern that much of the Greater London area lacked coverage by the voluntary Telecommunications Advisory Committees (TACs). We therefore endorsed OFTEL's efforts to establish committees in this area, and we welcomed work on establishing TACs in other parts of England. These committees are an essential part of the monitoring and information process of the new telecommunications regime and ENACT is keen to see an enhanced and efficient network in operation.

7.13 As this reporting period came to a close, the Committee was compiling a dossier of variations in BT Districts' customer practices which we felt were potentially detrimental to consumers' interests. We propose to pursue these in discussion with senior BT management during 1988.

7.14 Also during the course of the year, members continued to develop their knowledge and familiarity with telecommunications matters in general and to keep themselves abreast of as many new developments in

the field as possible. In this context, the Committee undertook an extensive tour of BT's research laboratories division at Martlesham Heath in Suffolk, and also visited the international facilities at Mondial House in the City of London.

*Chairman and
Members of
the Committee*

Chairman

Mr R Hutton, Director General of British Merchant Banking and Securities Houses Association; Director, Northern Rock Building Society; Director, LondonClear Ltd; Director, Investment Management Regulatory Organisation Ltd.

Members

Mrs P D M Batty-Shaw, CBE, JP, Member, Development Commission, National Council of Voluntary Organisations; Member, Agricultural Wages Board, England and Wales; Member, Trustee Charities Aid Foundation; Past Chairman, National Federation of Women's Institutes; Chairman, Wymondham Tax Commission Norfolk.

Mr S J Cooper, Retired company director.

Cllr Mrs J Fergus, County Councillor; Northern Field Office Manager, Social and Community Planning Research.

Cllr J D Green, Winchester City Councillor: Chairman, Council of Community Service Rural Committee, Hants; Chairman, Winchester Children's Holiday Trust; Chairman, Ulcombe Hydroponics UK Ltd, Wigan; Chairman, Southampton PATAC; Chairman, South West Region TACs.

Mr J Maynard, General Manager Business Development, British Airways plc; former General Manager Telecommunications, British Airways plc; Chairman, IATA Telecommunications Strategy Group; Chairman, Aviation Satellite Group; Director, International Aeradio (Caribbean) Ltd.

Mr D O Michel, OBE, Managing Director, GL Michel and Sons Ltd, Leather Merchants; Chairman, Midland Region TACs; Former Member, Post Office Users' National Council; Former President, Northamptonshire Chamber of Commerce and Industry; Chairman, Northamptonshire Telecommunications Advisory Committee (TAC).

Mr D R Oram, Group Purchasing Manager, Metropole Hotels Ltd; Fellow, Hotel Catering and Institutional Management Association; Former Member, Post Office Users' National Council.

Mr A C Squires, Group Telecoms Executive, Rank Organisation; Member, Council of Telecommunications Managers Association/Institute of Administrative Management.

Mrs M C Taylor, Secretary, Southend and District Consumer Group; Past Chairman and now Vice-President, National Federation of Consumer Groups; Chairman, Southend and Eastern Region TACs.

Introduction

7.15 The Chairman, Geoff Duncan, resigned from the Committee on 31 August 1987. He had been a member of the Post Office Users' National Council from 1974 and had been actively involved in the consideration of the Telecommunications Bill which when enacted abolished BT's monopoly and provided for the appointment of a Director General of Telecommunications. We wish to record our appreciation for the manner in which he guided the Committee in its first years. Although his intention to resign was made known to the Department of Trade and Industry during 1986, at the end of 1987 we still await the appointment of a successor. We wish to record our thanks to Mrs McGowran and Mr Brown for chairing meetings and to Mr Richards for representing the Committee at the Director General's meeting with Chairmen of ACTs. The Committee was pleased to welcome the Director General to one of its five meetings which were held during the year.

Advice to the Director General

7.16 During the year the Committee submitted comments to the Director General on a number of matters and in particular on PTOs' contract terms and payphone liberalisation.

(a) Public Telecommunications Operators' contract terms

Complaints had been received about the standard terms and conditions of contract of PTOs and the Committee was invited to comment on these. The main issues related to the exclusion of any guarantee of quality of service; and to exclude any liability for consequential loss arising from late delivery or from an unsatisfactory standard of service. It was the view of the Committee that it would be extremely difficult to quantify consequential loss resulting from a fault or delay in providing service and it was also recognised that if there was contractual liability for the supply of lines then the operator may play safe by quoting a forward date. The Committee was also concerned that whilst punitive measures to achieve an acceptable standard of service might result in BT being forced into concentrating its efforts on areas of dense traffic such as London and the other larger cities, it could also result in resources being diverted to the detriment of rural areas.

(b) Payphone liberalisation

A number of issues have been raised relating to the needs and protection of the consumer within the newly liberalised market following the decision by the Director General to approve the application by Mercury to operate public call boxes. The Committee agreed with the view taken by OFTEL that there should be free access to emergency operated services from all payphones by dialling 999, and the minimum call charge should be displayed on all boxes together with a notice giving the dialling instructions, number of the payphone and its location. It was considered that all payphones must be capable of being inductively coupled to hearing aids or to incorporate sound amplification facilities and that provision should also be made for handicapped persons such as those in wheelchairs.

It was the view of the Committee that if Mercury decided to provide call boxes in Scotland, it would only do so at a few selected sites such as airports and railway stations. Members did not therefore foresee any significant benefit to customers in Scotland from payphone liberalisation. It was noted that BT had indicated that liberalisation would not result in any change of policy as regards uneconomic kiosks but the Committee was concerned that there could be a gradual deterioration in service if competition led to an erosion in BT's income.

Scottish Advisory Forum

7.17 Following the retirement of BT's Director Scotland and Northern Ireland, the three Scottish Districts were incorporated within the management structure of BT's Northern Territory based in Leeds. The District General Managers continued to have executive responsibility for day to day operations within their own districts. At the same time a Scottish Advisory Forum was set up whose membership included representatives from Scottish business, finance and education activities as well as the District General Managers in Scotland. The press notice issued at that time indicated that the Forum in providing a focal point for liaison between BT and Scottish community interests would identify telecommunication needs in Scotland, discuss BT's activities with particular reference to quality of service to business, residential and rural communities and would help to maintain and enhance BT Districts' liaison and co-operation with Scottish education.

7.18 The Committee was concerned to learn of the establishment of the Forum as there could be potential overlap between the two bodies. However at a meeting with the Chairman of the Forum it became clear that the Forum was a non-executive board, very similar to the Scottish Post Office Board, with executive responsibility exercised by District Managers. The Committee was satisfied that there was no likelihood of a conflict of interest between the Forum and the Committee and the passage of time has confirmed this view.

Public Call Boxes

7.19 A survey of public call boxes carried out in the Spring of 1987 by those members of the Committee who are also Chairmen/Members of TACs indicated a standard of service which was far from acceptable. Instances of call boxes being out of order for more than one week were recorded and while vandalism accounted for some of the failures other faults, including call boxes inoperable because of full coin boxes, were noted. Members reported an improvement in service, especially in rural areas towards the end of the year. Vandalism in one of the larger housing schemes in Glasgow reached the point where it became extremely difficult to maintain a service. In an effort to improve the situation BT proposed to convert kiosks to Phonocard working and the Committee was represented at a meeting with the local community which was attended by the Member of Parliament. There was initial resistance to the proposal but eventually it was agreed that eight boxes be converted for Phonocard use. BT undertook to write to every family in the area enclosing an explanatory leaflet on the operation of Phonocard call boxes together with a complimentary card for use by residents. Conversion took place in November and at the end of the year not one of the boxes had been vandalised. The Committee welcomes the significant increase to the number of public call boxes which in the past year has gone up from 6,927 to 7,143.

Telecommunications Advisory Committees

7.20 The Committee maintained links with the nine TACs in Scotland through exchange of minutes and being represented at several meetings. The TACs provide information on standards of service in their own areas which is of value to the Committee and have a close liaison with the BT District General Manager who is represented at meetings. As reported in paragraph 7.19 on public call boxes they were involved in the quality of service exercise undertaken by OFTEL. The Committee recognises there are areas in Scotland without a TAC and steps are being taken to rectify this.

Christmas/New Year Service

7.21 Customers in Scotland benefited from cheap call rates from 6pm on Wednesday 23 December until 8am on Tuesday 5 January. The extended concession has been in operation since 1985 and was introduced when BT decided to apply the cheap rate to customers in England and Wales on Bank Holidays. These days are not observed as holidays in Scotland and BT accepted the suggestion from this Committee that the concession be allowed on five additional days over the Christmas and New Year period.

Complaints

7.22 There was a significant increase in the number of representations received by the Committee in 1987. This is possibly accounted for by the deterioration in service following the industrial dispute in the early part of the year and the widespread adverse comment by the media on BT services. While representations have increased the Committee is concerned that many BT customers may not be aware of its existence. Notes on the reverse of telephone accounts referring to problems state "You can obtain advice from organisations listed in the Code of Practice for Consumers in Phonebooks. You can also contact the Office Telecommunications (OFTEL) at Atlantic House ...". Letters to OFTEL from persons in Scotland are referred to this Committee for action but it is probable that some people may not pursue a complaint if there is not a Scottish address on bills issued in Scotland. The Committee regrets it has not been possible for this to be achieved.

Representations about BT services received by the Scottish Advisory Committee on Telecommunications

1987		1986	
Disputed accounts	657	Accounts	420
Provision of service	173	Provision of service	161
Charges/rentals and billing	271	Quality of service	147
Other standard services	122	Charges	141
Deposits	50	Deposits	62
Operator/Directory services	47	Directory services	43
Payphones	41	Payphones	31
Miscellaneous	60	Other matters	47
International services	7		
Phonebooks/Yellow Pages	51		
Text transmission	5	TOTAL	1052
Wiring	19		
Tariff increases	–		
Fault repair service	79		
Value added services	4		
Apparatus	60		
TOTAL	1646		

Members of the Committee

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 Committees.

Mrs J M Dickson, Deputy Officer of a Residential Home for the Elderly, Perth.

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

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

Dr C M MacLean, BA, BSc, PhD, Principal, Thurso Technical College; Member, Post Office Users' Council for Scotland; Member, Highland Post and Telecommunications Advisory Committees; Member, Highlands and Islands Area Manpower Board; Member, Management Committee of the Scottish Congregational College; Member, Caithness Chamber of Commerce.

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

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

Mr D G Walker, BA, AIB(Scot), APMI, Sales Manager, Noble Lowndes and Partners, Ltd; Member, Post Office Users' Council for Scotland.

Mr J G Watson, MBE, JP, MBIM, Business Counsellor, Scottish Development Agency; Member, Post Office Users' Council for Scotland; Chairman, Argyll Post and Telecommunications Advisory Committees; Scottish Panel Member, Gas Consumer Council; Magistrate, Argyll and Bute District; Member of Justices Commission Executive Committee for Argyll and Bute.

Mr E Young, MA, Rector, The Nicholson Institute, Stornoway; Member, Post Office Users' Council for Scotland

Secretariat

Mr M McNab, *Secretary*

7.23 During the year telecommunication services were severely affected by two events. Firstly, an industrial dispute involving the withdrawal of labour by BT engineers took place early in the year. Secondly, exceptionally severe weather caused widespread damage to the network.

7.24 During the industrial dispute, the Committee was not aware of any widespread disruption to services. Ample publicity, however, was given by the media to cases of hardship. Some, who had urgent need of a telephone service, did notify the Committee and we wish to record our thanks to BT staff who made every effort to meet their needs.

7.25 Subsequently, it became evident that the dispute had taken its toll of the telephone network. Complaints about delays in new installations increased substantially in April and May in South Wales and it became apparent later in the year that there were delays in North Wales also.

7.26 Adverse weather conditions compounded the problems that followed the industrial dispute, with BT staff from Wales being loaned to other parts of the country which had suffered extensive disruption to service.

Telecommunications in Mid Wales

7.27 In the 1986 Report, reference was made to the study by Clemdale Associates into the provision of telecommunication services in Mid Wales. The Report indicated there was a need for a greater understanding of the benefits of advanced telecommunications by business users. A further study of the educational aspects was commissioned by OFTEL and the Committee.

7.28 We are now glad to note that BT, Mid Wales Development, Powys County Council and others have provided the finance necessary to set up a Business Resource Centre—Mid Wales City Connection—at Montgomery College of Further Education, Newtown. A director has been appointed and the Centre should become operational by January 1988. It is hoped that the Centre will be used by businesses, colleges and schools.

7.29 The Committee has drawn attention to the role schools can play in increasing public awareness and steps are being taken to see how this can be achieved.

Telecommunications Advisory Committees (TACs)

7.30 TACs have continued to play an important role in representing the consumer. Amongst the matters they have dealt with are complaints about telephone bills, delays in new installation work, condition of public call boxes and general quality of reception on telephone lines. They have also taken part in surveys of domestic and public payphones and the Committee is grateful for the work they have done.

7.31 Ogwr TAC, unfortunately, continues to be inactive but it is hoped that a Committee will be formed in the Merthyr area.

Public Call Boxes

7.32 During the year the Committee was notified of the withdrawal of eight public call boxes—seven on the grounds of low revenue and one because a wayleave had been withdrawn. BT maintains that it has not changed its policy of not removing boxes on grounds of low revenue alone but in the above cases was concerned with the high costs of modernising the boxes for a very small return. Although the Committee is glad to have confirmation of BT's continuing commitment to maintain the public call box network in both rural and urban areas, it hopes that this commitment will be sustained in the new competitive ethos.

Complaints

7.33 The latest surveys carried out in Wales have revealed 79.2% of call boxes were found in working order. In the Dwyfor District of North Wales a survey carried out by the local TAC revealed that out of 124 boxes inspected 11 were not working.

7.34 We noted in the last two reports that many complaints are received by the Committee via OFTEL. This continues to be the case and contributes towards substantial delays in dealing with customers' complaints. We must, therefore, urge again that the address of the Committee be included on the reverse of telephone bills sent to BT's customers in Wales, as was the case up to 1984 when POUNC Wales dealt with both postal and telecommunications matters.

7.35 The table opposite gives the number of written complaints received during the year. It is not surprising, in view of the industrial dispute and exceptionally bad weather, that there was a substantial increase in the number of written complaints received. Even so, though there were 29 written complaints about delays in repairing faults, there were 57 telephone complaints and these were taken up verbally with BT. Many complaints also relate to telephone accounts. Customers await itemised bills and other measures which will help reduce customers' apprehension about the accuracy of BT's metering system.

7.36 The Committee wishes to draw attention to a number of topics which have been highlighted by a detailed examination of written complaints.

7.37 Firstly, the complaints illustrate that there is a failure to handle initial customer complaints efficiently. There are instances where complaints are not dealt with despite reminders in writing or by telephone, promises are made to reply to enquiries but are not kept and customers are not kept informed of action being taken. To give an example, in January a customer queried his bill in writing, a further three telephone calls and two more letters brought forth one acknowledgement. The customer wrote to WACT in May. Administrative failures, as well as causing unnecessary work can, more importantly, lead to unnecessary disconnection and hardship to customers.

7.38 Secondly, it appears there are failures in the handling of payments of telephone accounts. The Committee recognises that many customers leave payments, which are due on demand, until or even beyond the 21 day period when reminders are sent and, therefore, have no cause to complain if they are disconnected. There are, however, instances where prompt payments have been made at banks, post offices and BT offices but where faults in the handling of the payments have led to unnecessary disconnections. Although action to correct transmission faults is taken, weaknesses in the system remain.

7.39 Thirdly, there are examples of delays in new installations. Delays in excess of three months are not uncommon and a waiting period of nine months has been drawn to our attention. A delay of five months led to the cancellation of an order for a telephone service even though a promise had been made to provide a service promptly. Businesses, too, have been affected by installation delays. There are evidently parts of Wales where line capacity is insufficient to provide service reasonably promptly, and this suggests inadequate investment in both money and manpower.

Other Matters

7.40 Despite the above comments the Committee, however, wishes to record its appreciation of the courteous way in which its complaints are handled by BT's Customer Relations staff.

7.41 The Committee held four meetings during the year. In addition, a special joint meeting of the Committee and representatives of Welsh TACs was held at which the Director General of Telecommunications spoke about the need for surveys of telecommunication services.

7.42 The Committee was glad to welcome four additional members: Mr P A Witting, Mr D T Jones, Mr B M Sykes and Mr L C Murphy.

7.43 Mr R Cull, District General Manager, BT South Wales, was the guest speaker at the Annual Conference which was attended by members of the Committee and representatives of Welsh and Marches TACs.

7.44 The Committee expressed its views on a number of consultative papers issued by the Director General of Telecommunications; these included PTOs' contract terms, payphone liberalisation and the approval of PTO call metering systems.

Representations about PTO services received by the Wales Advisory Committee on Telecommunications for the period 1 January to 31 December 1987

Disputed accounts	192
Provision of service	54
Deposits, charges, rentals and other billing matters	113
Quality of service	48
Operator and Directory services	12
Payphones	14
Fault repair service	29
Other matters	49
TOTAL	511

*Chairman and
Members of
the Committee*

Chairman

Professor J R Webster, Dean of Faculty of Education, University College of Wales, Aberystwyth; Chairman, Post Office Users' Council for Wales; Member, Post Office Users' National Council.

Members

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

Mr D P L Davies, FCA

Mr D R Dutton, JP

Mr G S Hall, Company Director; Chairman, Cardiff Post and Telecommunications Advisory Committee.

Mrs R R Hayes, JP, Organiser, WRVS County Cars.

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

Mr D T Jones, Company Director (*from March 1987*).

Mr L C Murphy, JP, Manager, Sheltered Workshop for the Disabled; Member, National Association of Local Councils, Welsh Committee; Member, Llanelli and Dinefwr CHC; Member, Llanelli and Dinefwr Post and Telecommunications Advisory Committee (*from April 1987*).

Mrs I Price Jones, JP

Mr J R Roberts, President, Gwynedd Age Concern Committee; Vice President, Gwynedd Association of Local Councils; Member, Merioneth Postal and Telecommunications Advisory Committees.

Mr B M Sykes, Farmer; NFU representative on Welsh CBI; Member, various NFU Sub-Committees.

Mr M L Thomas, OBE, MA(Oxon), Solicitor; Clerk to the Neath Harbour Commissioners.

Mr P A Witting, BSc, MTech, CEng, FIEE, Head of Department of Electrical and Electronic Engineering, the Polytechnic of Wales.

Secretariat

Mr B Lewis, *Secretary*

Mrs G M Rich, *Assistant Secretary*

Introduction

7.45 The Committee met on six occasions and the Chairman was pleased to welcome the following guests:

- Professor Bryan Carsberg, Director General of Telecommunications, to the February meeting.
- Mr M Carvell, Personal Assistant to the Director General, to the February meeting.
- Mr R I Cozens, OFTEL, to the February and November meetings.
- Mr M T Archdale, Omagh PATAC, to the February and September meetings.
- Mr M Falls, Omagh PATAC, to the February meeting.

7.46 Mrs M E Donaghy and Mr R G Toland retired from the Committee during the year and the Chairman wishes to express his thanks for the valuable contribution they made to the work of the Committee during their terms of office.

7.47 The Chairman extended a welcome to the five new members of the Committee: Mrs M M Craig, MBE and Messrs J A Kerr, J O McDonald, MBE, W C Magee and J D Thompson. A list of members as at 31 December 1987 is annexed to this report.

Work of the Committee

7.48 Professor Carsberg's address to the February meeting of the Committee covered four topics of importance currently being dealt with by OFTEL—pricing, quality of service, itemised billing and the Birtwistle Report. At the same meeting, Mr Carvell and Mr Cozens went through the detail of how the forthcoming Quality of Service Survey was to be conducted. It was agreed that questionnaires for the survey would be sent to local PATACs, Women's Institutes and Chambers of Commerce.

7.49 The Committee's meeting in March discussed the Report on the Telecommunications Standards Review Committee and, as a result, a formal submission was made to OFTEL. In summary, the Committee felt that legislation was needed to cover four main headings—safety, compatibility and effectiveness of equipment and, lastly, satisfaction for the user.

7.50 In its submission to OFTEL regarding payphone liberalisation, the Committee was in favour of other companies operating payphones providing they were held to common standards in respect of emergency calls, charges, coin return etc.

7.51 Following the successful seminar held in 1986 on telecommunication and postal matters, it was decided to hold a telecommunications-only seminar in the early part of 1988. Discussion on the agenda for this seminar at several meetings suggested topics such as: repair services; public call boxes; compensation for cut-offs/repair; services for the disabled; competition; BT's Code of Practice.

7.52 It was hoped that speakers would be the Director General of Telecommunications, the Chief Executive of British Telecom Northern Ireland (BTNI), a local major supplier of equipment and a representative of a Cellular Network Operator.

7.53 For the second year running, Committee members attended a 'teach-in' at the BTNI training centre in which the procedures for meter-reading and billing, and services for the disabled were explained in detail.

7.54 At the invitation of the Fermanagh District Council, the September meeting was held in Enniskillen and councillors were able to raise matters of particular local concern.

7.55 During the year the Committee discussed the consultative document from OFTEL on PTO contract conditions, and an agreed response was sent to OFTEL.

7.56 Other items considered by the Committee included:

- Telecommunication Advisory Committees (TACs)
- BT's disconnection policy
- Public call boxes (in relation to which the Committee put on record the success of BTNI's programme of installation of new boxes)
- Telephone directories
- The possibility of MCL extending its operations to Northern Ireland
- Possible charges for Directory Enquiries
- The new optical fibre cable recently laid between Great Britain and Northern Ireland.

Provision of Service

7.57 The demand for telephone service in Northern Ireland remains buoyant and at a healthy level. The number of exchange lines increased by 5.5 per cent to 485,372 at 31 December 1987 and the waiting list for service remains at a very low level of 100. Extensive desharing work continued during the year, reducing the December 1986 total of 988 to zero by August 1987. BTNI is the first region in the UK to achieve total clearance of shared service.

7.58 The speed of provision of service has been maintained during the year with 86 per cent of residential and small business orders being completed within two weeks.

7.59 Cellnet, the mobile telephone service, continues to expand and coverage is now widely available in most of the main towns and surrounding areas with the exception of the south-western area of the Province. By mid-1988 the service will be extended to Larne and across the Irish Sea to link up with the Galloway Peninsula.

Public Telephone Kiosks

7.60 The major programme, launched in 1986, to expand, modernise and improve public call box telephone equipment in Northern Ireland was completed in August 1987. The total number of public call boxes now stands at 1,827—an increase of 10 per cent over the previous year. In addition, 350 new kiosks or booths were installed and Phonocard facilities provided at 28 sites. Approximately 1,750 vandalism attacks on kiosks or equipment were recorded which incurred a cost of £200,000 to repair.

Repair Service

7.61 'Round the clock' direct fault reporting on 151 is now available to all customers in Northern Ireland and 92 per cent of reported faults were cleared within two working days.

Operator Services

7.62 Rationalisation of the service, which commenced in 1984, was completed during 1987. Of the four remaining operator centres in Northern Ireland, the Enniskillen Centre deals with Directory Enquiry calls only while Belfast, Londonderry and Portadown provide the full range of operator services.

Directories

7.63 The comprehensive Northern Ireland Phonebook was re-issued in March 1987 and a further four Community Directories were published during the year, bringing the total to seven. One of these, the Foyle Community Directory, includes an Irish Republic supplement listing telephone numbers in part of Donegal.

Network Modernisation

7.64 The network modernisation which began in 1986 with the opening of Northern Ireland's first System X exchange, continued during 1987, and over 30,000 customers are now connected to a new digital exchange. There are now 23 digital exchanges in service within a 20 mile radius of Belfast, four in Londonderry and four in County Armagh. A further ten will be installed during the first four months of 1988.

7.65 In addition to the improved quality of service offered by the new exchanges it will soon be possible to offer customers a whole range of new services including itemised billing.

Customers' Views

7.66 In a mass mail shot survey customers were invited to express their views as to the quality of the various services provided by BTNI. Over 15,000 replies were received and the results will be used to focus the efforts of BTNI management and staff to ensure that customers' requirements and expectations are met as far as possible.

Complaints

7.67 There was an increase in quarterly bills queried following subscribers' concern over equipment. BT carried out comparative trials between its metering equipment and a private meter in a subscriber's home. In all cases of complaint regarding billing, BT went to all necessary lengths to ensure that it was fair and equitable in its billing arrangements.

Written representations about telephone services received by the Northern Ireland Advisory Committee on Telecommunications for the period 1 January 1987 to 31 December 1987

	1987	1986
Accounts	93	29
Charges	26	13
Quality of service	14	11
Provision of service	13	6
Public services	9	1
Directory services	3	2
Deposits	1	2
Miscellaneous	2	3
TOTAL	161	67

7.68 In addition, many requests for assistance are made directly to the Committee's Secretariat. Many of these are handled on the spot or referred to BTNI for their action in the normal way. The Secretariat is anxious not to act as an executive arm of BTNI or any other supplier in dealing with the day-to-day operation of services.

Summary of performance statistics

	<i>1985</i>	<i>1986</i>	<i>1987</i>
Working exchange connections —increase over previous year	4.3%	3.2%	5.5%
Number as at 31 December	445,840	459,934	485,372
Waiting list as at 31 December	176	118	100
Shared service connections as at 31 December	8,025	988	nil*
Percentage of customer orders completed within 2 weeks	81	85	90
Number of telephone kiosks	1,547	1,655	1,827
Number of vandalism attacks	2,000	1,900	1,750
Cost of vandalism attacks	£250,000	£225,000	£200,000
Percentage of BTNI customers with direct 24-hour access to Fault Repair Centres	82	82	100
Percentage of network fault reports per exchange connection	0.19	0.17	0.14
Percentage of faults cleared by end of next working day	—	90	92

*Note: Shared service cleared August 1987

*Chairman and
Members of the
Committee*

Chairman

Mr J J Eccles, JP, past Chairman, NI Lay Magistrates Association; Chairman of the Visiting Committee, Young Offenders Centre, Belfast; Member, the Fair Employment Agency; Commissioner, the Equal Opportunities Commission.

Members

Mrs M M Craig, MBE, President, Road Safety Council of Northern Ireland; Vice-Chairman, Fire Authority for Northern Ireland.

Mrs O Craig, ex-Executive, Federation of Women's Institutes.

Mrs E F Glover, Company Director; Federation of Women's Institutes of Northern Ireland.

Mr G H James, Chartered Accountant and retail trader; Chairman, Rathfriland Traders and Residents Association.

Mrs M Jefferson, MBE, Member, James Butcher Housing Association; Local Government Staff Commissioner.

Mr W Keown, MBE, JP, Disabled Advisory Commission.

Mr J A Kerr, Telephone Supervisor, Royal Group of Hospitals, Belfast; Member, Telecommunications Managers Association/Institute of Administrative Management.

Mr J O McDonald, MBE, FSCA, Local Government Officer.

Mr W C Magee, JP, FPSNI, Retired pharmacist.

Mr J D Thompson, MA, Solicitor and Notary Public; HM Coroner for South Down; Chairman, Medical Appeal Tribunals NI; Chairman, Social Security Appeal Tribunals NI; Chairman, Rent Assessment Committees NI; Vice-Chairman, Southern Health and Social Services Board.

Mrs M Toner, Catering Consultant; Director, USEL; Member, Altrusa Club, Belfast and District; Board of Visitors, Belfast Prison.

Mr W J Whitley, JP, Member, Institute of Purchasing Management; Lay Panel Member of Juvenile Courts.

Secretariat

Mr R T Jordan, MBE, MBA, CEng, *Secretary*.

*REPORT OF THE ADVISORY COMMITTEE ON
TELECOMMUNICATIONS FOR DISABLED AND ELDERLY
PEOPLE (DIEL) FOR THE YEAR ENDING
31 DECEMBER 1987*

7.69 The Committee met four times during the reporting period. Two members left the Committee in 1987: Mrs Nobbs and Mr Ross, and we would like to thank them for their earlier contributions to the work of DIEL. We welcomed one new member, Mr Symington. A complete list of the membership as at 31 December 1987 is given in the annex to this report.

7.70 We welcomed the introduction by BT of a Protected Service Scheme for disabled and elderly subscribers living alone. This was the direct result of pressure by this Committee which followed reports brought to our attention where housebound elderly and disabled people had been temporarily deprived of telephone service because BT's automatic disconnection procedures following the non-payment of bills had not taken account of their circumstances (eg sudden hospitalisation or indisposition). Under the Scheme, vulnerable customers are able to nominate someone whom BT can contact in the event of a bill being unpaid and who can advise why this is so and try to arrange payment before BT considers disconnecting service. We were sorry that the launch of this scheme only received limited press coverage and we have sought to rectify this by alerting those involved in promoting the welfare of elderly and disabled people in the Community to its existence.

7.71 In our previous report we said that we thought that BT needed to improve facilities at its Phonocard payphones for the benefit of visually handicapped users. We were disappointed that it was not until the latter part of 1987 that BT finally produced cards with notches on one side to enable blind people to insert them more easily in the Phonocard slot mechanism; but better late than never. We continue to urge BT to develop better audible warnings to visually handicapped people of the rate at which phone units on their cards are being used. We expect MCL and any other companies which may be eventually licensed to offer payphone services to provide adequate facilities for blind, deaf and other disabled users.

7.72 There continues to be much concern expressed in the press about the likelihood of BT introducing charges for access to its Directory Enquiries service. Although BT has not yet made any formal decision to introduce a charge, it conducted discussions with DIEL during 1987 on possible provisions to protect the interests of visually handicapped and other disabled people in the event of this taking place. These discussions took place because, before BT can introduce charges for its service, it has to convince the Director General of Telecommunications that it is able to comply with Condition 3.5 of its licence by either providing a free service to blind and other disabled people who are prevented from consulting directories, or by suitably reimbursing them for their calls to the Directory Enquiries service. The Director General had already indicated that he would give particular attention to DIEL's advice on this subject in the event of BT wishing to introduce Directory Enquiry charges.

7.73 After consulting with a wide range of other representatives of disabled people, DIEL offered advice to BT on how we felt the condition might be satisfied and BT undertook to take account of DIEL's opinion before it came to any final decision on introducing Directory Enquiry charges. Consultations also took place with MCL which has a similar licence obligation.

7.74 In our last report we said that we felt the Government should

remove VAT on telecommunications equipment used by disabled and elderly people. We are grateful to the Director General for presenting our proposal to HM Treasury but regret that the response proved to be a negative one. We remain convinced that our proposal is a fair one, especially to the many elderly or disabled people on limited incomes who could benefit greatly from many of the sophisticated items of telephone equipment now available, the purchase of which is often put out of their reach by the additional burden of VAT. Having received almost total support from bodies representing the interests of elderly and disabled people, we hope that they will co-ordinate a response in pressing this matter with the Government and the EC.

7.75 Apart from the burden of VAT, we also continued to grapple with the difficulties which many elderly and disabled people experience in paying telephone standing charges, in particular installation and rental costs. We welcomed BT's decision not to increase its main telephone charges in 1987 but this had only a minimal impact on those tied to limited incomes who still cannot afford to take on telephone service or who find it difficult enough to cope with the existing charges. Although we recognise that BT's licence does not permit it to show undue discrimination in favour of particular groups of customers, we nevertheless feel that the general public would not consider some relief from these charges to this section of the community as being unreasonable. BT already offers a Low User's Rebate Scheme which could be better targeted to benefit those in greatest need and we hope that this particular issue will be very closely addressed as part of the review in 1988 of the existing regulations relating to BT's prices.

7.76 We were concerned that the introduction of BT's priority fault repair **Servicecare** arrangements would put at risk those chronically sick, housebound people whose lives depend from day to day on immediate telephone access to outside medical help. In the event BT agreed to continue to offer a free priority fault repair service to seriously ill, immobile residential customers living alone providing they can produce independent medical corroboration.

*Chairman and
Members of the
Committee*

Chairman

Mr D Hobman, CBE, Former Director of Age Concern, England.

Members

Miss L Andrews, Physiotherapist and editor/compiler, Information Service, for the Disabled Living Foundation.

Mr M Barrett, Council Secretary and Treasurer, National League for Blind and Disabled.

Mr C Croft, Employment Services Manager, Royal National Institute for the Blind.

Sir Eric Driver, Former Chairman, Mersey Regional Health Authority.

Mr R Fawcus, Speech Therapist and Director, Centre for Clinical Communication Studies, City University, London.

Mr M King-Beer, National Telecommunications Officer for Breakthrough Trust.

Mr J Lidstone, Chairman, Association of Visually Handicapped Telephonists.

Mr M Martin, OBE, Director of Communication Services, Royal National Institute for the Deaf.

Mrs M Nobbs, Development Chairman of British Association of Hard of Hearing (*resigned from membership, February 1987*).

Mr C Pettitt, MBE, Chairman, Northampton Council for Disabled.

Mrs D Rhodes, National President, National Federation of Old Age Pensioners Association.

Mr J Ross, Group Director, Welfare Legal Counselling Services at the Royal Society for Mentally Handicapped Children and Adults (MENCAP) (*appointment lapsed, February 1987*).

Miss A Spokes, Past Chairman, Age Concern, England; Former Chairman of Oxfordshire County Council.

Mr B Symington, Chairman, Ulster Institute for the Deaf.

7.77 The Committee met on four occasions during the year. Membership continued to fluctuate in that four members, Messrs Attwater, Cresswell, Hall and Seeney resigned owing to changes in their other commitments. We were sorry to see them depart and wish to record our thanks for the contributions which they made to the Committee's work in its formative years. We were pleased to welcome three new members, Mrs Harris and Messrs Bell and Furey. Details of the full membership as at 31 December 1987 is given in the annex to this report.

7.78 We were very encouraged by the generally favourable response which was received to our booklet *Does Your Business Need a New Telephone System?*, which served to confirm our view that there was a gap in basic information about new telephone equipment and services available to small businesses which needed to be filled. A second booklet entitled *Telex, Electronic Mail and Fax Services for Small Businesses* was published in 1987 and this was equally well received. Work on a third booklet, this time on mobile and portable telecommunications services had just begun at the end of this reporting period.

7.79 Apart from basic information on services that are available, small businesses also require guidance on whom specifically to approach to provide them with the equipment and services which constitute the best buy for their companies' needs. The proliferation of publications describing and promoting the merits of different suppliers and their services in the wake of the Government's liberalisation of competition policy, has tended to confuse rather than to clarify the telecommunications equipment market for most small businessmen, few of whom have the time to investigate all that is available. We feel that small businesses would welcome the establishment of an independent information bureau which they could telephone and ask for a list of all suppliers of particular telecommunications equipment or services likely to suit their requirements.

7.80 The venture which we have in mind would be similar to the service offered in the plastics fabrication industry by the Plastics and Rubber Industries Advisory Bureau, which is funded by subscriptions paid each year by manufacturers and suppliers for having their details entered on the Bureau's computer database. We are hopeful that, following consultations which we are proposing to hold with representatives of the telecommunications industry and others, it will prove possible to launch a service of this kind during 1988.

7.81 The Director General sought our views on several issues during the course of the year. Most notable amongst these were:

- (a) Quality of telecommunications services received by small businesses;
- (b) The Birtwistle Report on Telecommunications Standards and Approvals;
- (c) The fairness and adequacy of PTOs' contracts and conditions of service;
- (d) The introduction of competition in public call boxes.

7.82 We did not feel that the criteria by which small businesses judged the quality of telecommunication services they receive differed greatly from domestic users. Nonetheless, the impact of loss of service or delays in

providing lines or installing equipment had a more immediate impact on businesses in the shape of lost orders and mounting costs. The speed with which faults were corrected was crucial to businesses as was the actual quality of lines, especially to firms using them for exchanging documents and data.

7.83 On balance, we welcomed plans to streamline telecommunication approval procedures in the wake of the Birtwistle report providing that this did not undermine standards or put at risk the integrity of the public networks.

7.84 We considered that in several respects the standard contracts and terms and conditions of service offered by BT were too heavily loaded in its favour over the interests of the customer. We recommended to the Director General that:

- (a) Accountability should be required for missed delivery dates, with penalties imposed;
- (b) Consideration should be given to the introduction of a two-tiered payment system, ie a customer should have the option to pay more for a quicker delivery—in which case there should be a heavy penalty for failure to deliver;
- (c) Failure to repair a fault within a target date should incur a penalty of x times the system charge—in our view the current rental rebates procedure is derisory;
- (d) Payment for equipment in 30 days (not 14) should be standard, as it is with most businesses;
- (e) Rebates should be given for poor line quality which adversely affects data transmission; and
- (f) All other things being equal, business customers should be given priority over domestic customers because they pay higher system charges.

7.85 We endorsed the Director General's proposals on the introduction of competition to BT payphone services, particularly in relation to the market for private payphones. In general, we felt that charges should be left to market forces to dictate. However, each operator should be required as a condition of the licence to display clear advice on each payphone about charges, and also where to direct any complaints about faults. Free user access to the emergency services should be mandatory but it should be left to the discretion of the payphone operator whether to charge for access to either BT's or MCL's operator services providing that, if charges were raised, a notice to this effect was displayed on the payphone.

7.86 Finally, we have been endeavouring to publicise our existence in the small business world. As small businessmen ourselves we are collectively familiar with the everyday needs and problems surrounding telecommunications and businesses. Nevertheless, we are anxious to maintain a regular dialogue with individual companies and their representative bodies in order to keep ourselves abreast of the telecommunications issues which are currently affecting businesses in the field. BACT exhibited at the exhibition held in conjunction with the CBI Conference in Glasgow in November 1987 and we plan to take part in several business communication exhibitions around the country in 1988 with the aim of introducing ourselves more widely to our constituency.

*Chairman and
Members of the
Committee*

Chairman

Mr H Kleeman, CBE, Director, Carville Ltd; Vice-Chairman, the CBI Smaller Firms Council.

Members

Mr P Agnew, Chief Executive, Lanarkshire Industry Field Executive (LIFE).

Mr D Attwater, Owner of Attwater and Sons Ltd (*resigned from membership, July 1987*).

Mr I Bell, Managing Director, St Bride's Hotel.

Mr R Blaxland, Formerly Corporate Financial Director, Quilter and Co Ltd; Member, the Small Firms Council of the CBI.

Mr R Cresswell, Managing Director, Sunscene Holidays Ltd (*resigned from Membership, March 1987*).

Mr R Frenzel, Director, Technology Applications Group Ltd; Director, Miracle Technology (UK) Ltd.

Mr P Frymann, Sales Administrator, Geoffrey MacPherson Ltd.

Mr R Furey, Managing Director, Systems Solutions Ltd.

Mr G Hall, Marketing Director, John Hall (Tools) Ltd (*resigned from membership, April 1987*).

Mrs J Harris, Owner of L'Hirondelle boutique.

Mr F Hawman, Managing Director, Bailee Freight Services Ltd.

Mr E Roberts, Chief Executive, Heath Springs Ltd.

Mr L Seeney, OBE, Emeritus Director General, National Chamber of Trade (*resigned from membership, July 1987*).

Mr M Taylor, Managing Director, Eric R Taylor (Transportation) Ltd.

Mr G Thorpe, Multi-retail grocer.

Mr J White, Joint Managing Director, Britannia Security Group.

APPENDICES

*APPENDIX 1
REPRESENTATIONS ABOUT PTO LICENSING
AND RELATED ISSUES FOR THE PERIOD
1 JANUARY TO 31 DECEMBER 1987*

British Telecom	
Tariffs and charges	676
Installation, maintenance, ownership of wiring and equipment	553
Unfair competition	110
Emergency/priority	134
Payphones	10
Equipment approval	11
Other	206
Mercury	51
Hull	13
Branch Systems Licence	7
Radiopaging/mobile radio	156
Cable	2
Other	46
	TOTAL 1,975

*APPENDIX 2
REPRESENTATIONS ABOUT PTO SERVICES
RECEIVED BY OFTEL AND ENACT FOR THE
PERIOD OF 1 JANUARY TO 31 DECEMBER 1987*

Disputed telephone accounts	8,534
Charges/rental and other billing matters	3,493
Provision of service	2,290
Fault repair service	2,277
Standard of service	2,248
Payphones	1,165
Operator/Directory services	482
Deposits	380
International services	75
Other matters (advertising, electronic mail, etc)	3,242
TOTAL	24,186

APPENDIX 3
 THIS APPENDIX CONTAINS A SELECTION OF
 INFORMATION ON THE UK TELECOMMUNICATIONS
 INDUSTRY AS A BACKGROUND TO THE REPORT

*1 Exchange
 Connections and Calls*

**1.1 Exchange connections in service by type of subscriber
 1980–1987 United Kingdom**

<i>Year (at 31 March)</i>	<i>Total exchange connections (000's)</i>	<i>Residential subscribers (000's)</i>	<i>Business subscribers (000's)</i>
1980	17,377	13,955	3,422
1981	18,198	14,689	3,509
1982	18,751	15,177	3,574
1983	19,210	15,564	3,646
1984	19,836	16,062	3,774
1985	20,597	16,614	3,938
1986	21,287	17,140	4,147
1987	21,933	17,569	4,364

Note: excludes exchange connections to the Hull network and MCL exchange lines.
Source: British Telecom.

**1.2 Public and private rented payphones in service
 1980, 1984, 1986, 1987 United Kingdom**

<i>Year (at 31 March)</i>	<i>Public payphones (000's)</i>	<i>Private rented payphones (000's)</i>
1980	77	286
1984	77	286
1986	77	296
1987	78	306

Note: excludes public payphones and private rented payphones connected to the Hull network.
Source: British Telecom.

1.3 Number, and annual percentage growth, of effective telephone calls by type
1980–1987 United Kingdom

<i>Year (ending) 31 March</i>	<i>Inland</i>		<i>International</i>	
	<i>Total (millions)</i>	<i>% growth over previous year</i>	<i>Total (millions)</i>	<i>% growth over previous year</i>
1980	19,857	6	106	22
1981	20,175	2	117	13
1982	20,806	3	132	14
1983	21,403	3	148	11
1984	22,686	6	173	12
1985	n/a	8	n/a	14
1986	n/a	7	n/a	11
1987	n/a	7	n/a	11

Notes: n/a—not available.

Excludes calls in the MCL network and local calls in the Hull network.

Source: British Telecom.

2 Telephone Penetration Rates

2.1 Percentage of households with a telephone 1970, 1980–1986 United Kingdom

<i>Year</i>	<i>Percentage of households</i>
1970	35
1980	72
1981	76
1982	76
1983	77
1984	78
1985	79
1986	81

Source: Department of Employment—Family Expenditure Survey Reports.

2.2 Percentage of households with a telephone by geographical region (of the UK) 1983–1986 calendar years

<i>Region</i>	<i>Percentage of households</i>			
	<i>1983</i>	<i>1984</i>	<i>1985</i>	<i>1986</i>
North	67	68	68	71
Northern Ireland	60	65	69	73
North West	75	75	74	77
Yorkshire and Humberside	73	75	76	76
West Midlands	73	76	77	76
Wales	73	72	77	79
Scotland	75	75	79	77
East Midlands	75	78	79	78
East Anglia	76	77	81	88
South West	77	78	83	85
South East	84	86	87	88
United Kingdom	77	78	79	81

Source: Department of Employment—Family Expenditure Survey Reports.

2.3 Percentage of households with a telephone by income, household composition and tenure of dwelling
1986 United Kingdom

	<i>Percentage of households</i>
	1986
All households	81
<i>Household income (per week)</i>	
—under £45	48
—£45 and under £100	65
—£100 and under £200	79
—£200 and under £300	89
—£300 and over	97
<i>Household composition*</i>	
Household with:	
—one adult, retired, mainly dependent on State retirement pension	64
—one man, one woman, retired, mainly dependent on State pension	80
—one man, one woman, not retired	88
—one man, one woman, two children	88
<i>Tenure of dwelling</i>	
—rented furnished	43
—rented unfurnished	62
—rent free	84
—owner occupied	93

Note: * for other household compositions refer to original source.

Source: Department of Employment—Family Expenditure Survey Report 1986.

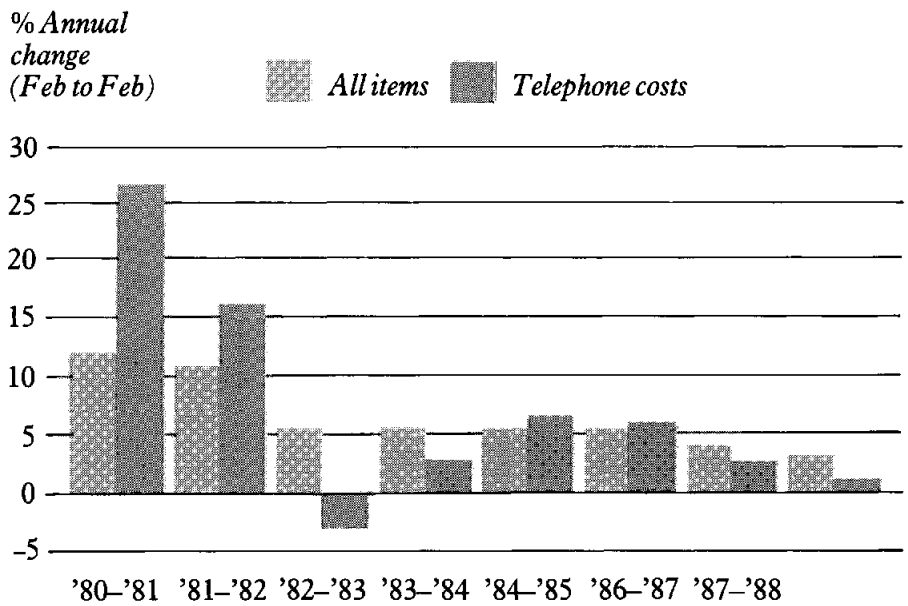
**2.4 Households with plug and socket telephone connections
1985–1987 Great Britain**

<i>Percentages</i>	
August 1985	31
August 1986	39
August 1987	51

Source: NOP (Market Research) Ltd, Face-to-Face Random Omnibus Surveys (size of base sample varies from year to year).

3 Prices

**3.1 Annual percentage change in the Retail Price Index for all items
and the telephone costs components
1981–1988, annual percentage change, United Kingdom**



Note: February to February.
Source: Department of Employment.

**3.2 Summary of BT price changes controlled by its licence
(Condition 24)
1984–1987**

	<i>Nov '84</i>	<i>Nov '85</i>	<i>Nov '86</i>	<i>Nov '87</i>
	%	%	%	%
Changes in RPI in base period	+5.1	+7.0	+2.5	+4.2
RPI minus 3	+2.1	+4.0	-0.5	+1.2
Changes in the price of:				
Exchange line rental*				
Residential	+7.1	+8.5	+3.7	+0.0
Business	+6.8	+8.8	+3.9	+0.0 [†]
Change in the effective price of:				
Local calls				
Peak	+6.8	+6.4	+18.9	+0.0
Standard	+6.8	+6.4	+6.4	+0.0
Cheap	+6.8	+6.4	-3.6	+0.0
National 'a'				
Peak	+6.8	+6.4	+1.6	+0.0
Standard	+6.8	+18.3	+1.1	+0.0
Cheap	+23.1	+6.4	+2.7	+0.0
National 'b1'				
Peak	-10.3	-14.0	-12.0	+0.0
Standard	-10.2	-13.8	-12.0	+0.0
Cheap	+6.8	+6.4	-12.0	+0.0
National 'b'				
Peak	-14.0	-6.2	-16.0	+0.0
Standard	-13.9	-4.9	-17.0	+0.0
Cheap	+6.8	+6.4	-6.2	+0.0
Weighted average	+2.0	+3.7	-0.3 [‡]	+0.0

Notes

* Exchange line with a basic telephone instrument in November 1984: exchange line excluding telephone instrument in 1985, 1986 and 1987.

[†] No increase in standard business line rental, but rental for low loss exchange lines was increased

[‡] In computing the weighted average price change in 1986, an adjustment has been made for the effect of transferring some routes from b to b1.

Source: compiled by OFTEL.

4 Telex Services

4.1 Number of telex exchange connections 1980–1987 United Kingdom

Year (at 31st March)	Number of exchange connections (000's)
1980	85.8
1981	87.9
1982	90.4
1983	90.6
1984	92.9
1985	97.0
1986	104.3
1987	111.5

Source: British Telecom.

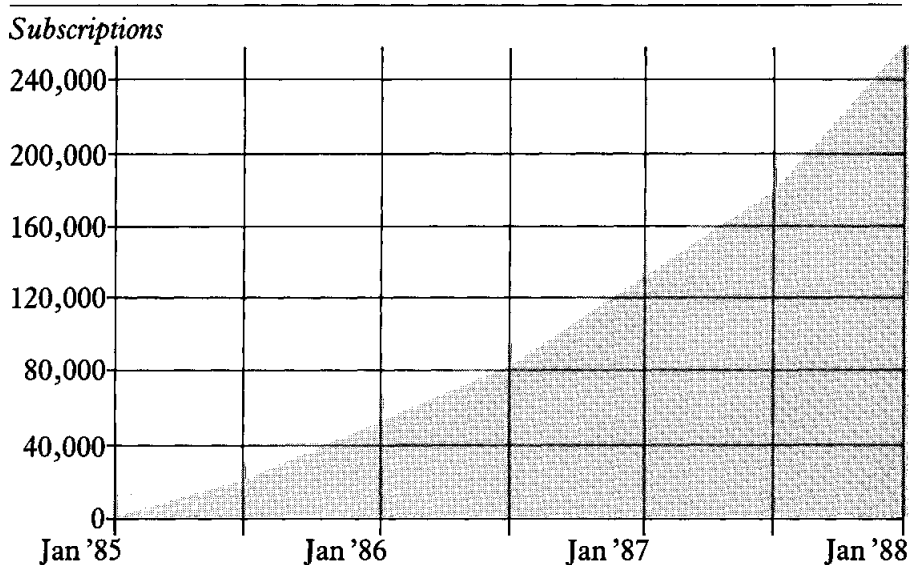
4.2 Estimated numbers of telex and facsimile terminals, and electronic mail subscribers December 1986 and December 1987 United Kingdom

	Number (000's)	
	1986	1987
Telex terminals	108	114
Facsimile terminals	86	173
Electronic mail subscribers	80	150

Sources: British Facsimile Industry Consultative Committee, and OFTEL estimates.

5 Mobile Services

5.1 Estimated number of cellular radio subscribers United Kingdom 1985–1987

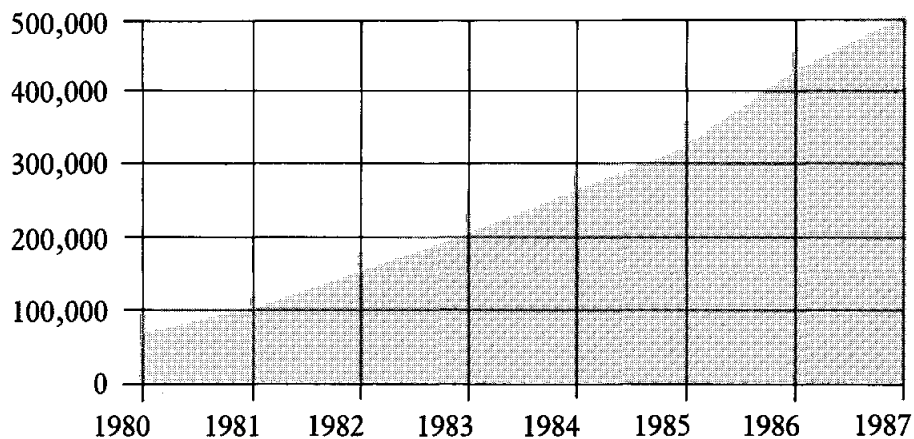


Note: Cellular radio services commenced in January 1985.

Source: Various sources.

5.2 Estimated number of wide area radiopagers in use 1980–1987 United Kingdom

Units in use



Source: Various sources.

6 Telegraph and Telecommunications Equipment Industry Data

6.1 Sales, output and employment in the UK telegraph and telecommunications equipment industry 1980–1987

Year	Total sales (£m)	Output (volume 1980=100)	Employment (000's)
1980	1,067	100	n/a
1981	1,238	103	n/a
1982	1,362	103	n/a
1983	1,424	104	n/a
1984	1,524	106	46.9
1985	1,773	115	n/a
1986	1,936	119	n/a
1987†	1,939†	117†	n/a

Notes: †1987 data is provisional.

n/a—not available.

Source: Business Statistics Office—Business Monitor PQ 3441

6.2 Sales of telephone and telegraph equipment by UK manufacturers to BT, other UK companies and for export 1981–1987

Year	Percentage of total sales going to		
	BT	Other UK	Export
1981	76	15	8
1982	76	16	8
1983	78	13	9
1984	76	15	9
1985	70	18	12
1986	70	21	10
1987†	65†	26†	10†

Note: †1987 data is provisional.

Source: Business Statistics Office—Business Monitor PQ 3441.

6.3 Sales of telephone exchange equipment by UK manufacturers 1980–1987

Year	Public telephone exchange equipment		Private telephone exchange equipment	
	Electro-mechanical	Electronic	Electro-mechanical	Electronic
	£m	£m	£m	£m
1980	149.6	310.2	54.0	27.8
1981	187.8	336.9	47.0	92.6
1982	170.9	406.5	19.7	131.8
1983	115.5	418.6	5.4	144.7
1984	64.0	422.9	2.5	154.3
1985	13.3	573.7	0.6	228.9
1986	0.7	662.0	0.5	230.0
1987†	–	502.9†	–	230.2†

Notes: Electromechanical private exchange equipment includes PMBX equipment (falling from £9.9m in 1980 to zero in 1986).

†1987 data is provisional.

Source: Business Statistics Office—Business Monitor PQ 3441

6.4 Proportion of new PABXs and key systems supplied by BT (based on number of extension lines supplied), by size of system 1981–1987 United Kingdom

<i>Year</i>	<i>Percentages</i>			<i>Total</i>
	<i>Small systems</i>	<i>Medium systems</i>	<i>Large systems</i>	
1981	99	87	0	83
1982	100	92	0	81
1983	97	85	1	74
1984	95	80	17	76
1985	95	75	48	75
1986	84	63	52	69
1987	78	50	37	58

Notes:

Small systems—up to 16 lines

Medium systems—17 to 500 lines

Large systems—over 500 lines

Sources:

1981 to 1985 The Monopolies and Mergers Commission, British Telecommunications plc and Mitel Corporation, a report on the proposed merger. HMSO 1986 Cmnd 9715.

1986 to 1987 MZA Consultants.

6.5 Proportion of new telephones and telephone answering machines supplied by BT (ex manufacturers' deliveries) 1984–85, 1985–86, 1986–87 United Kingdom

<i>Year</i>	<i>Percentages</i>	
	<i>Telephones</i>	<i>Telephone answering machines</i>
1984–85	83	n/a
1985–86	79	25
1986–87	67	25

Note: n/a—not available.

Source: MZA Consultants.

7 British Telecom's Quality of Service Figures

7.1 BT Quality of Service: Network reliability 1983-1987

Year to 31 March	Percentages					
	1983	1984	1985	1986	1987 Mar*	1987 Sept*
Local calls failed (because of defective equipment or congestion)	2.7	2.4	2.0	1.7	2.2	2.2
STD calls failed (because of defective equipment or congestion)	5.9	5.1	4.4	4.1	5.4	4.3
Customer premises equipment and network faults per line per annum	0.55	0.54	0.53†	0.48	0.54	0.43
Network only faults per line per annum	n/a	n/a	n/a	0.20	0.25	0.20

Notes: *Figures for 1987 are for the months of March and September only. Figures for the year to 31 March 1987 are not available.

† change in definition from 'fault reports' to 'faults'.

n/a—comparable figures are not available.

Source: British Telecom.

7.2 BT Quality of Service: Repair service 1983-1987

Year to 31 March	Percentages					
	1983	1984	1985	1986	1987 Mar*	1987 Sept*
Service interrupting faults cleared by end of next working day†	85.1	85.7	89.9	87.1		
within two working days†					73.9	86.5

Notes:

*Figures for 1987 are for the months of March and September only. Figures for the year to 31 March 1987 are not available.

†Basis of calculation changed in 1987.

Source: British Telecom.

**7.3 BT Quality of Service: Operator Service and Directory Enquiries
1983-1987**

<i>Year to 31 March</i>	<i>Percentages</i>					
	<i>1983</i>	<i>1984</i>	<i>1985</i>	<i>1986</i>	<i>1987 Mar*</i>	<i>1987 Sept*</i>
Operator calls answered in 15 secs	86.8	86.0	84.6	85.6	83.5	79.4
Directory Enquiries† answered in 25 secs	82.5	80.5	80.0	83.7		
answered in 15 secs				74.0	77.0	75.1

Notes:

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

†Basis changed from 25 to 15 seconds in 1987. Comparative figures for 1986 included.

Source: British Telecom.

APPENDIX 4
NON-PTO LICENCES ISSUED DURING 1987 UNDER THE
TELECOMMUNICATIONS ACT 1984

<i>Title</i>	<i>Period</i>	<i>Date of Issue</i>
Renewal of a temporary licence granted to British Gas plc to run certain telecommunication systems	6 months	2/01/87
Renewal of a temporary licence granted to British Gas plc and members of its group	6 months	4/01/87
Renewal of a temporary licence for the Corporation of Lloyd's and members of the Lloyd's Community to run certain telecommunication systems	1 year	10/01/87
Licence granted to Dharam & Company to run cable systems for the provision of licensable cable programme services	Indefinite	16/01/87
Licence granted to Dharam & Company to run cable systems for the provision of licensable cable programme services	Indefinite	16/01/87
Licence granted to Harris of Saltcoats to run cable systems for the provision of licensable cable programme services	Indefinite	26/01/87
Licence granted to Harris of Saltcoats to run cable systems for the provision of licensable cable programme services	Indefinite	26/01/87
Temporary licence granted to North Hertfordshire District Council	1 year	26/01/87
Renewal of a temporary licence granted to Cadbury Schweppes plc	1 year	29/01/87
Temporary licence granted to the Kenco Coffee Company Ltd	1 year	29/01/87
Renewal of a temporary licence granted to Premier Brands Ltd	1 year	29/01/87
Licence granted to A Thomson (Relay) Limited to run cable systems for the provision of licensable cable programme services	Indefinite	30/01/87
Licence granted to A Thomson (Relay) Limited to run cable systems for the provision of licensable cable programme services	Indefinite	30/01/87

<i>Title</i>	<i>Period</i>	<i>Date of Issue</i>
Renewal of temporary licence granted to Electronic Data Services to run certain telecommunication systems	3 months	30/01/87
Renewal of a temporary licence granted to the Institute of London Underwriters	1 year	31/01/87
Licence granted to Swindon Cable Limited to run telecommunications systems under Section 7 of the Telecommunications Act 1984	13 years	6/02/87
Temporary licence granted to Burnley Borough Council	1 year	13/02/87
Licence granted to the University of Edinburgh	12 years	16/02/87
Licence granted to the Institutions of the University of Edinburgh to run certain branch systems	12 years	16/02/87
Licence granted to Sunderland and South Shields Water Company	12 years	19/02/87
Renewal of a temporary licence for Co-Channel Electronics to run a mobile radio tele-communication system	1 year	23/02/87
Temporary licence granted to British Cable Services to run cable systems for provision of licensable cable programme services	6 months	1/03/87
Temporary licence for Cable Camden Limited to run certain telecommunication systems	6 months	1/03/87
Renewal of a temporary licence granted to Barclays Bank and each of its subsidiaries	6 months	4/03/87
Temporary licence for Goldman Sachs to run certain telecommunication systems	1 year	12/03/87
Licence granted to Davis Cable TV Limited to run cable systems in Fristan East Dean and Birling Gap for the provision of licensable cable programme services	Indefinite	20/03/87
Renewal of temporary licence for Co-channel Electronics to run a mobile radio tele-communications system	1 year	15/04/87

<i>Title</i>	<i>Period</i>	<i>Date of Issue</i>
Temporary licence granted to Infowave Ltd to run radiopaging telecommunication systems	6 months	16/04/87
Renewal of a temporary licence for Control Data Limited to run certain telecommunication systems	2 months	24/04/87
Licence granted to Windsor Television Limited to run cable systems in the Holiday Inn and Post House Hotels for the provision of licensable cable programme services	Indefinite	29/04/87
Renewal of temporary licence for Electronic Data Systems to run certain telecommunication systems	3 months	1/05/87
Licence granted to British Cable Services Ltd to run telecommunication systems	23 years	11/05/87
Licence granted to Ram Paul Taggar to run cable systems in Sparkhill for the provision of licensable cable programme services	Indefinite	21/05/87
Temporary licence granted to the Borough of South Tyneside to run a telecommunication system	Indefinite	29/05/87
Renewal of a temporary licence granted to Clifton College	1 year	30/05/87
Temporary licence granted to Oxford City Council	1 year	5/06/87
Renewal of a temporary licence granted to the Metropolitan Borough of Stockport	1 year	5/06/87
Renewal of a temporary licence granted to Mercury Paging Ltd to run radiopaging telecommunication systems	6 months	15/06/87
Temporary licence granted to Racal Vodapage Ltd to run radiopaging telecommunication systems	6 months	15/06/87
Renewal of a temporary licence granted to British Caledonian Airways Ltd to run telecommunication systems situated at Gatwick Airport	1 year	17/06/87
Renewal of a temporary licence granted to Inter-City Paging Ltd to run a mobile radiopaging telecommunications system	6 months	18/06/87

<i>Title</i>	<i>Period</i>	<i>Date of Issue</i>
Renewal of a temporary licence granted to Digital Mobile Communications Ltd to run a mobile radio-paging telecommunication system	6 months	18/06/87
Renewal of a temporary licence granted to the Stock Exchange to run telecommunication systems	6 months	26/06/87
Temporary licence for the British Waterways Board to run a mobile radio telecommunication system	1 year	30/06/87
Renewal of a temporary licence granted to Wolverhampton and Dudley Breweries plc	1 year	11/07/87
Licence granted to Andover Cablevision Limited to run cable systems in Andover for the provision of licensable cable programme services	Indefinite	17/07/87
Renewal of temporary licence granted to Electronic Data Services to run certain telecommunication systems	2 months	31/07/87
Renewal of a temporary licence granted to British Railways Board to run certain telecommunications systems	1 year	1/08/87
Licence granted to Cable and Satellite Television Holdings Limited to run cable systems in Herne Bay for the provision of licensable cable programme services	Indefinite	12/08/87
Licence granted to Cable and Satellite Television Holdings Limited to run cable systems in Sittingbourne for the provision of licensable cable programme services	Indefinite	12/08/87
Temporary licence granted to the City of Stoke-on-Trent Council	6 months	20/08/87
Renewal of a temporary licence for Cable Camden Limited to run certain telecommunication systems	6 months	1/09/87
Temporary licence granted to Northern Ireland Airports Ltd	1 year	8/09/87
Licence granted to Cablecom Investments Ltd to run cable systems in Bentwaters for the provision of licensable cable programme services	Indefinite	9/09/87

<i>Title</i>	<i>Period</i>	<i>Date of Issue</i>
Licence granted to Cablecom Investments Ltd to run cable systems in Bicester for the provision of licensable cable programme services	Indefinite	9/09/87
Licence granted to Cablecom Investments Ltd to run cable systems in Upper Heyford for the provision of licensable cable programme services	Indefinite	9/09/87
Licence granted to Cablecom Investments Ltd to run cable systems in Woolbridge for the provision of licensable cable programme services	Indefinite	9/09/87
Licence granted to Cablecom Investments Ltd to run cable systems in Feltwell for the provision of licensable cable programme services	Indefinite	9/09/87
Licence granted to Westminster Cable Company Limited to run cable systems in Thorney Court for the provision of licensable cable programme services	Indefinite	11/09/87
Licence granted to Terence Christopher Heaton and Francis Chamberlain as Mutual Cable TV to run cable systems in Lozells for the provision of licensable cable programme services	Indefinite	11/09/87
Temporary licence granted to Newcastle under Lyme Council to run telecommunication systems for the purpose of providing assistance to old people in an emergency	6 months	30/09/87
Licence granted to Electronic Data Systems Ltd to run certain telecommunication systems	12 years	30/09/87
Licence granted to Alectra Communications Services Limited to run certain telecommunication systems	12 years	20/09/87
Licence granted to Mercury Paging Ltd for the provision of radiopaging services	25 years	1/10/87
Licence granted to Racal Vodapage Ltd for the provision of radiopaging services	25 years	1/10/87
Licence granted to Transat Ltd to run cable systems in Ashbury for the provision of licensable cable programme services	Indefinite	9/10/87

<i>Title</i>	<i>Period</i>	<i>Date of Issue</i>
Licence granted to U-Aerials Ltd to run cable systems in Fairlie for the provision of licensable cable programme services	Indefinite	9/10/87
Temporary licence granted to the University of Aberdeen to run certain telecommunication systems	1 year	12/10/87
Licence granted to Band III Radio Ltd to operate nationwide telecommunication systems for the provision of private mobile radio telecommunications services	25 years	27/10/87
Temporary licence granted to Congleton Borough Council to run telecommunication systems for the purpose of providing assistance to elderly and infirm people in an emergency	6 months	30/10/87
Licence granted to British Telecommunications plc to run cable systems in the Barbican Estate for the provision of licensable cable programme services	Indefinite	16/11/87
Temporary licence granted to BP Petroleum Development Ltd to run certain telecommunication systems	1 year	11/12/87
Temporary licence granted to Essex County Council to run certain telecommunication systems	1 year	11/12/87
Temporary licence granted to Essex Police headquarters to run certain telecommunication systems	1 year	11/12/87
Renewal of a temporary licence for the Marconi Company Ltd to run certain telecommunication systems on the Hillend and Donibristle Industrial Estates	6 months	11/12/87
Renewal of a temporary licence granted to Inter-City Paging Ltd to run a mobile radiopaging telecommunication system	6 months	18/12/87
Renewal of a temporary licence granted to Digital Mobile Communications Ltd to run a mobile radiopaging telecommunication system	6 months	18/12/87
Licence granted to Cablevision Bedfordshire Ltd to run cable systems in the Marsh Farm area for the provision of licensable cable programme services	Indefinite	18/12/87

<i>Title</i>	<i>Period</i>	<i>Date of Issue</i>
Licence granted to Cablevision Bedfordshire Ltd to run cable systems in the Hockwell Ring and Lewsey Farm areas for the provision of licensable cable programme services	Indefinite	18/12/87
Licence granted to Cablevision Bedfordshire Ltd to run cable system in the Farley Hill area for the provision of licensable cable programme services	1 year	18/12/87
Licence granted to Cablevision Bedfordshire Ltd to run cable systems in the Houghton Regis area	1 year	18/12/87
Licence granted to Calstel Ltd to run cable systems in the West Heath Road area for the provision of licensable cable programme services	Indefinite	18/12/87
Licence granted to the Independent Broadcasting Authority to transmit certain messages to earth orbiting apparatus for subsequent broadcast for general reception	18 years	On relevant day

The following publications were issued by OFTEL during 1987. They are available free of charge unless otherwise stated. The reference of the publication is shown in brackets where relevant.

General

A Guide to the Office of Telecommunications—updated edition (21/87)

OFTEL Library and Public Register (17/87)

Marking and Advertising Telecommunication Apparatus—updated edition (23/87)

DIEL: The Advisory Committee on Telecommunications for Disabled and Elderly People—updated edition (9/87)

Consumer

Telecommunications Wiring in Business Premises and Homes—new edition (5/87)

British Telecom's Quality of Service. Statement by the Director General of Telecommunications

A Basic Guide to Telex, Electronic Mail and Fax Services for Small Businesses. Published by BACT in association with OFTEL (11/87)

Guide to the Requirements for Text Communication Equipment for Use by Hearing-Impaired People and Others. Published by WGHI in association with OFTEL (12/87)

PTO Contract Terms and Conditions: A Consultative Document (16/87)

British Telecom's Billing Procedures. Statement by the Director General of Telecommunications

British Telecom's Service at Public Call Boxes (19/87)

British Telecom's Quality of Service 1987 (19/87)

Telephone Service and Prices. Statement by the Director General of Telecommunications

Competition

Competition in Apparatus Supply (6/87)

Centrex: the Regulatory Issues. A consultative document

Competition in the Supply of PABX Enhancements. Butler Cox Report (24/87)

Determinations

Determination of the terms of the code of practice in respect of international accounting arrangements under condition 48 of the licence granted to British Telecommunications under section 7 of the Telecommunications Act 1984, and condition 44 of the licence granted to Mercury Communications under section 7 of the Telecommunications Act 1984. £1.00

Code of Practice on International Accounting Arrangements. Statement by the Director General of Telecommunications

Determination of terms and conditions for the purposes of an agreement on the interconnection of the British Telecommunications plc telex system and the Mercury Communications Limited system to provide international telex services under condition 13 of the licence granted to British Telecommunications under section 7 of the Telecommunications Act 1984. £4.00

Licensing

- Revision of the Branch Systems General Licence. Statement by the Director General of Telecommunications
- Class licence for the running of branch telecommunication systems. £1.00
- Class licence for the running of telecommunication systems providing value added and data services. £4.00
- Class licence for the running of telecommunication systems by PTO group associates to provide value added and data services. £4.00
- General conditions applicable to licences granted under section 7 of the Telecommunications Act 1984. £1.00
- Licence granted by the Secretary of State for Trade and Industry to British Telecommunications under Section 7 of the Telecommunications Act 1984—revised edition (HMSO). £7.50
- Licence granted by the Secretary of State for Trade and Industry to Mercury Communications Limited under Section 7 of the Telecommunications Act 1984—revised edition (HMSO). £7.50
- Licences granted by the Secretary of State for Trade and Industry to Kingston upon Hull City Council and Kingston Communications (Hull) plc under Section 7 of the Telecommunications Act 1984 (DTI). £7.50
- Value Added and Data Services Class Licence: Model Code of Practice on the confidentiality of customer information.

Technical

- Report to the Director General of Telecommunications of the Telecommunications Standards Review Committee (Chairman: Major General A C Birtwistle) (2/87)
- Report of the Telecommunications Standards Review Committee. Statement by the Director General of Telecommunications
- List of extension telephones. £4.50
- Numbering Arrangements for Value Added and Data Services
- Updates** (a series of technical fact sheets)
- Telecommunications Networks Code of Practice (BSGL 3)
- New Approval Scheme Announced for Call Routing Apparatus (SA7)
- Value Added and Data Services Class Licence: Procedure for Registration (VADS1)
- Pilot Scheme for the Approval of Telecommunications Attachments (SA8)
- First European Telecommunications Standards Available for Public Comment (SA9)
- Approval of Call Barring Apparatus (SA10)
- Extension of Pilot Scheme for the Approval of Telecommunications Attachments (SA11)
- Temporary Scheme for Site-Specific Approval to Allow the Connection of Private Networks to the PSTN (SA12)

Working Papers

A series of papers by OFTEL staff discussing methods of analysis for examining particular topics of interest.

1 A Method for Determining the Optimal Balance of Prices for Telephone Services by P G Culham

2 International Comparisons of Telephone Charges by M E McDowall

Newsletters

OFTEL News. Quarterly newsletter.

Newsline. Series of information sheets sent to local Telecommunications Advisory Committees (TACs)

*APPENDIX 6
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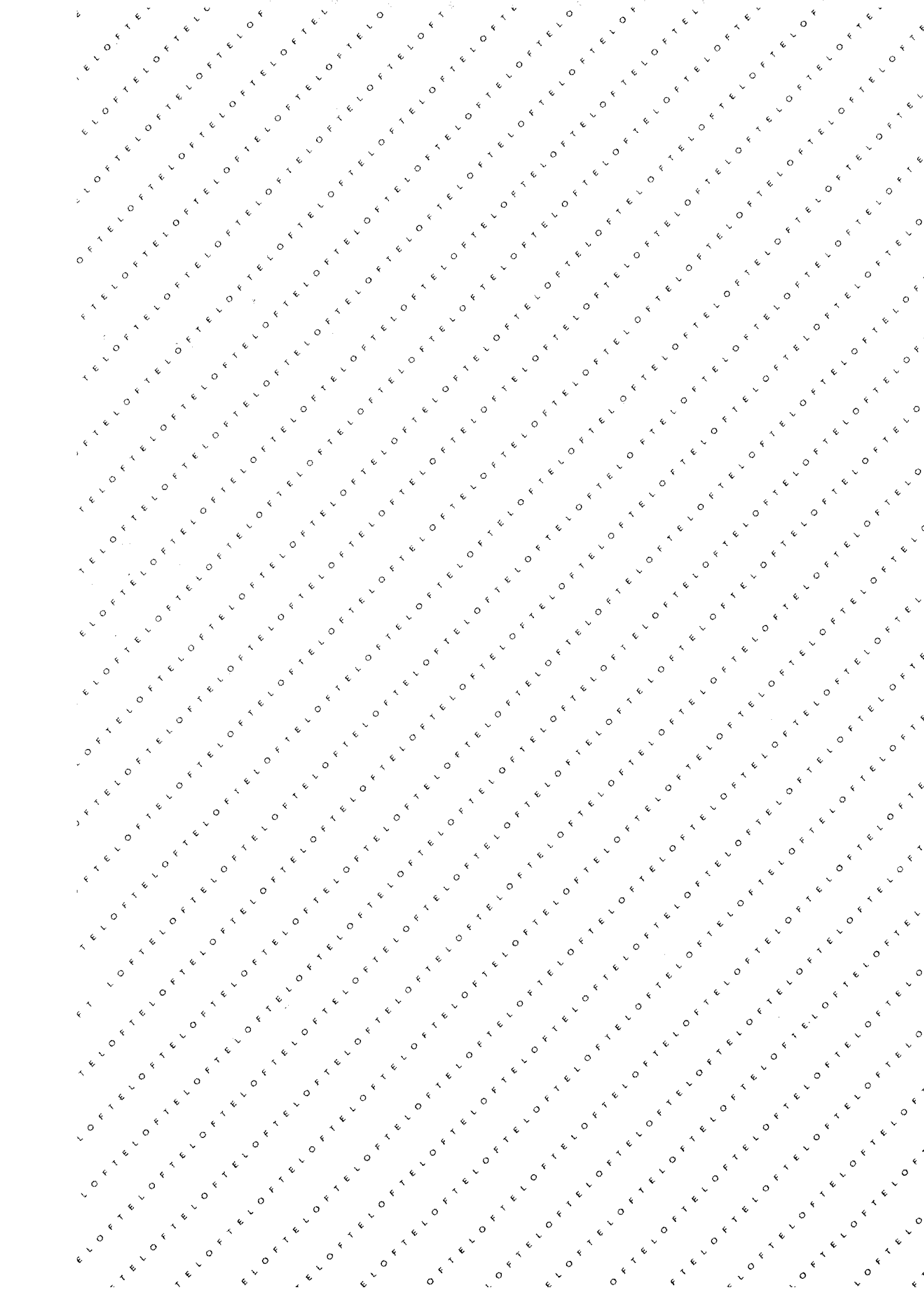
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