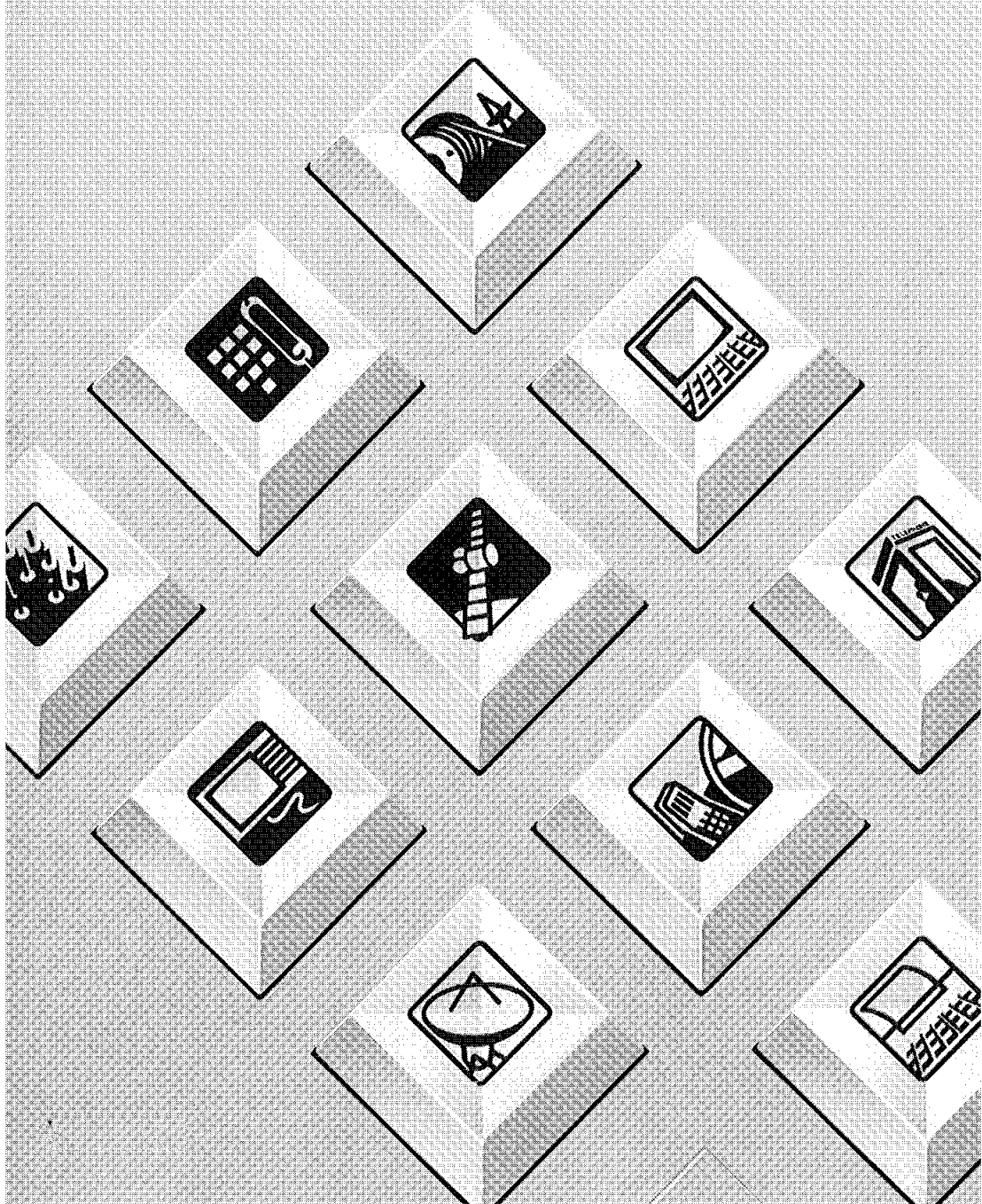




Office of Telecommunications

ANNUAL REPORT 1985



Report of the Director General of Telecommunications

for the period 1 January to 31 December 1985
to the Secretary of State for Trade and Industry

*Presented to Parliament
in pursuance of section 55 of the Telecommunications Act 1984*

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

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

This report covers the period 1 January to 31 December 1985. In the first section, I comment generally on my activities during the period, with special emphasis on service to customers. Section 2 contains information about the structure and functions of OFTEL. Sections 3-7 describe OFTEL's activities during the year, and Section 8 contains the reports of the six statutory advisory committees on telecommunications.

No references were made by me to the MMC during 1985.

Bryan Carsberg
19 May 1986

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SECTION ONE

Promoting users' interests: efficiency through regulation and competition

Director General's Statement

1.1. This is the second report of a Director General of Telecommunications in the United Kingdom, but the first to cover a full period of 12 months. I was appointed to my office on 1 July 1984 and my responsibilities came fully into effect only on 5 August 1984. My statement, and the sections of the report that follow it, illustrate the wide variety of activities with which the Office of Telecommunications has been concerned during 1985.

1.2. The objective of the changes made to the telecommunications industry by the Telecommunications Acts of 1981 and 1984—the privatisation of British Telecom (BT), the introduction of competition and the establishment of a regulatory authority—has been to provide better value for money to the users of telecommunications services and thereby to contribute to the economic strength of the nation. The concept has been to use competition, whenever it is advantageous, as an incentive to the provision of good services and to institute an efficient form of regulation to deal with other cases.

1.3. Competition can be expected to bring benefits to users because it provides businesses with a particularly strong incentive to use technology creatively in providing new services, and also to use technology as effectively as possible in order to limit costs. However, competition involves establishing extra businesses and since each business incurs a certain minimum fixed cost in undertaking its operations—for example, the cost of establishing a telephone network of minimum economic size or the cost of central management—some additional costs will arise in a competitive environment that do not arise when there is a monopolist. These additional costs set a limit to the desirable extent of competition: the benefits of extra competition must be weighed against the additional costs to determine the best amount of competition, and this will vary from activity to activity according to the potential for economies from improved operation and the size of the additional fixed costs. Additionally, careful thought must be given to the need for transitional arrangements to convert monopoly into

competition. The transition should not be excessively abrupt because of the need to prevent sudden large price changes and other changes in service provision that have a disruptive effect on users.

1.4. Regulation is needed to create and sustain the conditions in which competition can flourish and to prevent the abuse of monopoly power in cases where competition is not permitted, or has not yet become effective. Just as competition is desired for giving a boost to efficiency, so there is an obligation on the regulatory authority to provide efficient regulation. This means that regulation should not be carried to a point of detail at which the costs of regulation outweigh any possible benefit. It also means that the regulatory mechanisms must be chosen with care, having efficiency in mind. It does *not* mean that businesses which continue to enjoy monopoly positions can be allowed complete commercial freedom in some parts of their businesses where the monopoly exists. Even if no specific rule regulates conduct in the parts of the business concerned, the regulator must exercise constant vigilance to ensure that no abuse of monopoly position is taking place and be prepared to introduce specific rules if the need arises; and in judging the need, the regulator must have the benefit of a well designed flow of information, enabling him to focus on the key factors without excessive preoccupation with details of minor importance.

1.5. I have organised this statement around the concepts set out above. I first deal with regulation in areas where competition is not yet effective; and I then turn to regulation having the objective of promoting effective competition.

Regulation of Monopoly Businesses

Price control

1.6. A pivotal element in any set of arrangements for regulating monopoly businesses must be the method used to control prices. Not surprisingly, therefore, methods of price control have been the focus of a great deal of my activity in 1985. BT's licence contains a specific rule to control changes in the prices of certain main services: business and domestic exchange line rentals, and direct dialled inland telephone calls except those made from public call boxes. The rule, as is now becoming well known, is that a weighted average of price changes is limited to three percentage points below the rate of inflation (the RPI-3 rule).

1.7. I believe that a rule that operates directly on prices—like the RPI-3 rule—is greatly to be preferred over the main alternative method used to control the prices of monopolies—rate of return regulation. Rate of return regulation gives a monopoly business too little incentive to operate efficiently because, in practice, it too readily allows

businesses to pass their actual costs on to customers; by linking prices to the general level of inflation, the RPI-3 rule gives a good incentive for efficiency: it creates a situation in which the incurring of excessive costs will detract from profits while improved efficiency will increase profits. However, the choice of a formula that will put just the right amount of pressure on a business to perform efficiently is a matter of considerable difficulty. It involves predicting the opportunities for technological improvement in operating methods; and, a trade off must be made between the simplicity of the formula and its ability to give desired results in a variety of different economic situations. The RPI-3 rule is attractively simple. However, in telecommunications, the cost per unit of dealing with an increase in the volume of business tends to be much below the average cost for existing business. This means that a simple formula will tend to produce profits that are higher than expected at times when the volume of business is higher than expected and it tends to produce profits that are lower than expected in times of business recession. If some sacrifice of simplicity is acceptable, this difficulty can be avoided by including the volume of business as a specific element of the price control formula.

1.8. I received a large number of complaints about the new prices introduced by BT last November. These prices complied with the price control rule in the licence. Nevertheless, many people felt a sense of outrage because BT was already making profits that the complainants regarded as extremely high. I took these complaints very seriously and investigated them carefully. I decided that I ought to take account of the high level of BT's investment in assessing the acceptable level of profits. On this basis, I judged that the rate of return on capital employed was probably a little above the minimum acceptable level in competitive capital markets; but it was not so high that I should be justified in interfering less than 18 months after the licence, containing the price control rule, had been endorsed by Parliament and about one year after the shares had been sold on that basis.

1.9. However, I intend to keep the position very carefully under review in the future. The existing price control rule expires in 1989 and a new rule will be needed to take its place at that time. However, I have powers to initiate a proposal to amend BT's licence at any time and I should seriously consider using those powers to introduce a new price control rule if I found that BT's rate of return on capital employed was significantly above the minimum acceptable level. In deciding on a course of action, I should take account of the extent to which the level of profits appeared to be attributable to improvements in efficiency and the extent to which it seemed to be attributable to other factors that were not expected when the original rule was set. If I decided to seek an

amendment to the pricing rule, I should not be inclined to switch to rate of return regulation; I should rather seek a new rule that had similar properties to the present one in providing incentives for efficiency.

The balance of prices

1.10. The complaints made to me about BT's prices related to the balance of prices as well as the overall level. Prices for rentals were increased by more than the average (by about 8½ per cent, compared to inflation of 7 per cent and average price increases under RPI-3 of 3·7 per cent), as were prices for local telephone calls, while prices of some long distance calls were reduced in order to keep the average price rise within the limit set by the licence. The effect of these changes was that people who made relatively few long distance calls experienced relatively large price increases, while those who made an unusually large number of long distance calls were favourably treated. BT gave an undertaking outside the licence to limit increases in domestic rentals to RPI+2 per cent and the licence does not contain a specific rule about the balance of different prices. However, I am clear that I have a duty to satisfy myself that the balancing is not carried beyond the point that is justified on economic grounds. If I were not satisfied, I might need to seek a licence amendment to introduce more specific rules.

1.11. I therefore examined accounting information provided by BT to distinguish the costs attributable to long distance calls, to local calls, and to the fixed costs of providing exchange lines from the home or the office to the local telephone exchange, which are related to rentals under BT's procedures. I also considered the case for keeping rentals relatively low in order to encourage people to have telephones and thereby enhance the value of the full telephone network for the benefit of everyone. I concluded, on the basis of the evidence I had so far seen, and in particular on the accounting evidence, that BT had not carried rebalancing beyond the point justified on economic grounds. However, I am continuing to study the issues involved in the balance of prices as a matter of urgency and I shall consider the need for action during the coming year and indeed further in the future.

1.12. I should make it clear that I do not think it would be appropriate for me to seek to impose a balance of prices in a way that was motivated primarily by a desire to achieve some particular redistribution of income among members of the community nor do I think that my powers would permit me to do this. I must limit my studies to economic factors and to such matters as the provision of adequate services in rural areas and for elderly and disabled people—matters explicitly referred to in my duties under the 1984 Act. I do not believe, for example, that I could properly put forward a proposal for a rule that all people on low incomes should be given telephones free of rentals; such a proposal

would involve arbitrary judgements about matters of income redistribution and my making it would involve the usurping of the proper role of Government, exercised through the Department of Health and Social Security.

Prices outside the 'basket'

1.13. I have received a number of complaints about BT's prices for other services for which no specific pricing rule is laid down in the licence. I investigate all such complaints with the same care and attention as complaints relating to services covered by the RPI-3 rule, and I am prepared to consider the need for a licence amendment to bring such prices under specific control if I find an abuse of BT's monopoly position. The most numerous and strongly expressed complaints relate to the prices of accesslines and private circuits (leased lines). A number of users have experienced extraordinarily rapid price increases for these services over the past few years, partly because of increases in the overall level of prices and partly because the prices are distance related and changes have been made in the basis for measuring the distance covered by private circuits.

1.14. I announced during 1985 that I would investigate BT's pricing policy for these dedicated lines; my investigation was still underway at the end of the year. I have called for and received accounting information to show BT's financial results on providing the services. I am still studying the basis on which these financial results have been compiled but preliminary indications are that BT is not making an excessive rate of return on capital employed, but that recent price increases have been needed to correct a past shortfall in profitability. I have also been considering the structure of prices to assess whether or not the balance of amounts paid by different users, over different routes, is efficient and fair and I intend to take further steps to obtain users' views on this question before making a final decision.

1.15. I have received complaints about a number of other prices charged by BT. Notable among these are the prices charged for telex services, the charges for enhanced levels of maintenance services, rentals for Pay-on-Answer payphones and the charges for operator assisted telephone calls as compared to similar direct dialled calls. At present, BT has the obligation to notify me of prices and price changes for telecommunications services but not to provide me with accounting information about its financial results for those services unless and until I call for its production. I believe that a strong case exists for BT's submitting to me, on a regular basis, accounting information about the results of all aspects of its business. This would enable me to deal efficiently with complaints about individual prices to the mutual benefit of BT and my office. I have consequently asked BT to agree to establish

a procedure of this kind. I understand that its accounting systems have not yet been developed to the point at which it can provide the information that I require on a routine basis. I shall therefore have to continue to seek the information needed to deal with specific enquiries as they arise and I shall do this energetically. I shall also continue to press BT for agreement to the provision of regular flows of information, conscious that the information I require is no more than is required by management for the effective running of a private sector business—or indeed a public sector business.

Quality of service

1.16. One of my most important responsibilities is to be able to provide a reasonable degree of assurance to telephone users about the maintenance of the quality of telephone services. This duty flows from licence requirements that operators should provide universal services and my responsibility under the Act to promote the interests of consumers as regards price, quality and variety of service. Before privatisation, BT used to publish its own information about quality of service but it has now stopped this practice; in any case, a strong case would exist for my collecting and publishing information independently. During 1985, I have been working on the development of plans for measuring the quality of service and consulting with a number of organisations, including my own advisory committees, regarding the best manner to proceed. My staff also have undertaken a few pilot exercises. At the end of the year, I had almost completed a consultative document for publication early in 1986, as a basis for informing people of my plans and seeking suggestions from a wider variety of sources. My intention is to implement a scheme as soon as possible during 1986 with two main lines of approach: the involvement of members of local advisory committees, in all parts of the United Kingdom, in recording information about their experience with using the telephone; and the use of public opinion surveys to assess people's attitudes to the service that is actually being provided.

Public call boxes

1.17. One aspect of service quality that is a continuing source of complaint to my office, and also a subject of considerable interest in the media, concerns service at public call boxes. The evidence now available, unsystematic though it is, suggests strongly that the probability that a public call box will be out of order at any given time is unacceptably high, particularly in urban areas. Some of the pilot survey work undertaken by OFTEL during 1985 focused particularly on public call boxes and it suggested that more needs to be done to improve the services provided at call boxes. I recognise that the problem of vandalism has made BT's job in providing public call box services

particularly difficult, and I welcome the positive approach taken by BT in the form of its planned substantial investment programme. However, continuing effort is needed to ensure that boxes that have been vandalised are repaired as quickly as possible and that the arrangements for cleaning boxes and emptying the coins (which is needed to keep them in service) are reasonably efficient. To monitor achievement of this aim, records are needed of the experience with individual call boxes over a period of time, so that statistics are available to show how quickly boxes are brought back into use after becoming unserviceable. I plan that information of this kind should be collected as part of our work on quality of service indicators.

Rural services

1.18. The Act makes special reference to the provision of services in rural areas, and I have given careful thought to the steps I should take to fulfil my obligations in these areas. The main objective is to ensure that rural areas are provided with the services needed to meet reasonable demands—not necessarily the same services on the same terms as in urban areas, because rural needs may be different, but services well adapted to local needs. The first step therefore must be to find out more about the special needs of users in rural areas. To this end, I participated in the commissioning of two studies during 1985, one in rural Wales on the recommendation of the Wales Advisory Committee on Telecommunications and one, commissioned jointly with the Highlands and Islands Development Board, covering the Scottish territory for which the Board has responsibility. Both studies were still in progress at the end of 1985; when they have been completed, I shall consider what further action may be needed on my part.

Customers' complaints

1.19. A great deal of my regulatory activity involves dealing with enquiries and complaints about telecommunication services from the general public. Additional details of these matters are given in Section 5 of this Report. The largest number of complaints relates to billing disputes and several representations made during the year have asked me to press BT to introduce a system of itemised billing—showing separately the cost of each long distance telephone call—as a means of creating greater confidence in the billing process. I note that regulatory authorities in the United States, where itemised billing is generally available, have many fewer complaints relating to billing matters, and I support the view that itemised billing should be available in the United Kingdom as soon as possible. BT has conducted trials of itemised billing in the Bristol area and reports a broadly favourable customer reaction. In general, the introduction of itemised billing is likely to be too

expensive until local exchanges have been converted to digital operation, but BT has told me that it intends to make itemised billing available as conversion takes place.

BT's advertising

1.20. Finally, in this review of direct regulatory activities, I want to mention a number of complaints I have received about BT's advertising policy. I have received representations about various advertisements placed during the year. Some complained that advertisements about price changes were misleading in concentrating on services for which prices had been reduced while making no mention of the overall picture as one of price rises; other complaints related to advertisements claiming that telephone poles were becoming fewer in number, to the benefit of the landscape, when the complainants' observations suggested the contrary; others again complained that advertisements cast doubt on the acceptability of competitors' apparatus, even though it had been approved by the Secretary of State after testing by the British Approvals Board for Telecommunications (BABT). Complaints about advertising are likely to be matters more for the Advertising Standards Authority than for my office, but I have nevertheless discussed the issues with BT. While many people have enjoyed the amusing call promotion advertisements developed for BT, the message is that an organisation in BT's special position needs to exercise an unusual degree of care to ensure that any information given in its advertisements is balanced and fair.

Regulation for effective competition

1.21. As I have already noted, the argument for promoting competition is that in many cases it provides the best method for ensuring the provision of good services to consumers at attractive prices. Competition is an efficient form of regulation because it harnesses market forces to perform, more surely, jobs that would otherwise have to be undertaken by the regulator. Competition is not desirable, or even feasible, without limit but I believe that the regulator should endeavour to press competition to its economic limits. However, the existence of competition does not make regulation unnecessary as long as the competitors enjoy monopoly positions in some parts of their businesses because, for example, of the danger that competitive businesses will be subsidised from the monopoly businesses. Regulation is needed to establish and protect the ground rules under which fair competition can take place. That activity has been a central part of my efforts during 1985, and will continue to be so.

1.22. In this section of my statement, I will comment on some of the main actions I have undertaken during the year with regard to each of the major telecommunications businesses.

Basic telephony

1.23. I begin by considering the main telephone business, the basic conveyance of messages. The Government has licensed Mercury Communications Ltd (MCL) to compete with BT and with Kingston-upon-Hull City Council (Hull), which operates the telephone service in the Hull area. The Government does not intend to license any other competitors at least until 1990. Consequently, the terms on which MCL competes with BT have a great importance for the development of basic telecommunication services.

The interconnect determination

1.24. To make competition possible, MCL and BT must interconnect their systems. MCL cannot expect to attract customers unless it can offer them the chance of telephoning others who are not directly connected to the MCL system. The licences of BT and MCL provide for such interconnection to take place on terms and conditions to be agreed between the two operators or, failing agreement after a reasonable time, on terms and conditions determined by me. MCL approached me early in 1985, requesting me to make this determination. However, a delay then ensued while BT and MCL established through court proceedings the status of a 'Heads of Agreement' document both had signed in mid-1984.

1.25. The effect of the court ruling was to establish that the Heads of Agreement document was not legally binding, and hence that I had a duty to determine the terms and conditions under which interconnection would take place. I made my determination in October after consideration of extensive submissions by the parties and after numerous meetings with them. The licence states that interconnection should be provided so as to allow any customer on one network to telephone any customer on the other network, and also to allow customers to exercise choice of route; for example, a BT customer might be allowed to telephone a point on the MCL network to choose MCL as a long distance carrier, after which completion of the call might take place on BT's local network at the far end. One of the main issues I had to determine concerned the flexibility that customers should have in choice of route; for example, should BT customers be allowed to choose to route calls over the MCL network regardless of the distance of the origin of the call and the ultimate destination from nearest points on the MCL network, or should some distance related limit be imposed? And should MCL customers be allowed to use BT's system for making international calls?

1.26. I decided that BT should have the obligation to provide connections to the MCL system at local exchanges and at trunk exchanges for use without limit, except such limit as was required to

ensure that messages had a satisfactory quality; I also decided that MCL should be permitted to transfer calls to BT for connections to other countries. I established prices that were consistent with the licence rules and in particular that gave MCL reasonable incentive to extend its system, rather than relying unduly upon that of BT. I called for the establishment of billing procedures to ensure, as soon as possible, that each call would be included wholly in one bill to be presented by the main operator chosen. I established a procedure for resolving expeditiously disputes about the feasibility of making connections within prescribed time limits and about matters relating to the pricing arrangements. I established the principle that the operators should co-operate in the preparation of telephone directories, if either one wanted to do so, on a cost sharing basis. I believe that these arrangements represent a basis for effective competition over the next few years, although I also recognise the possible need for—and I have provided for—fine tuning in the details of the agreement in the light of evolving circumstances.

International accounting

1.27. Another matter on which I am required to make a determination in default of agreement between BT and MCL concerns the arrangements for international accounting—that is, in essence, the arrangements in the UK for settling the prices to be paid by one international operator to another for the conveyance of international calls and related procedures. MCL asked me, early in 1985, to use my function to determine a code governing international accounting. I hope very much that operators of telephone networks in other countries will be willing to make direct arrangements with MCL so that genuine competition becomes possible between the two main UK operators for international business. This consideration will be very much in my mind when I make my final determination. At the same time, I need to make sure that the arrangements put in place do not provide an opportunity for monopoly operators in overseas countries to take advantage of our competitive environment and gain monopoly profits on overseas calls at the expense of UK telephone users and of the UK balance of payments. Discussions with BT and MCL about these issues were continuing at the end of the year.

Local competition

1.28. The impact of competition between BT and MCL is expected to be greatest on long distance telephone calls. However, strong reasons exist for hoping that some competition may be feasible also at the local level. Competition might establish, for example, whether or not the cost of local telephony and hence prices could be reduced. MCL is permitted to provide local telephone services, including direct exchange lines to business and domestic premises, and I shall be watching with interest to see what kind of an impact MCL can make on this market.

1.29. Another possibility for the introduction of some competition at local level may be provided by Cable Television companies employing up-to-date technology. At present, these companies are limited to providing voice telephony only in association with BT and MCL, and none have started to do so. It is too early to know what impact Cable Television companies might make on the market if they were allowed to provide telecommunication services independently at some future date, taking full advantage of the continuing rapid developments in technology; and any such development could be permitted only if it was consistent with the continued provision of a satisfactory level of overall service in UK telecommunications. However, I believe it is important to keep open the option that Cable Television companies may make a contribution to the development of local competition at some time in the future.

Value added and data services

1.30. A significant contribution to the variety of services available and the richness of competition in the total market for telecommunication services is made by the arrangements for licensing value added network services, and other services for the conveyance of data. OFTEL has been working closely with the Department of Trade and Industry (DTI) during the year in developing proposals for new licensing arrangements for this range of activities. I very much welcomed the revised proposals, published just before the end of the year, envisaging significant extensions in the areas subject to competition, most notably by liberalising the provision of basic data conveyance, and also promoting open systems interconnection. These proposals will involve significant additional regulatory activities and OFTEL will be working with DTI to formulate licensing arrangements that achieve the objectives of the proposals, in as economical a manner as possible.

General licensing

1.31. The arrangements for licensing value added services and basic data services together with the class licence for branch systems and the special licences issued for individual branch systems interact to define the activities permitted by those who are not public telecommunication operators. As noted in Section 4 of this Report, pressures to issue individual licences continue to run at a high level and I am continuing to assess the impact of changes in the general licences on the demand for individual licences. To the extent consistent with my statutory duties, I intend to recommend action that will keep to a minimum the number of individual licences needed to meet users' requirements in the interests of cost-effective regulation.

1.32. The Government has said that it does not propose to permit simple resale of capacity leased from public telecommunications

operators before 1989; subsequently, simple resale may be allowed and current developments must be assessed in the context of objectives for the future development of the competitive environment. Accordingly, I am taking account of the possibility of allowing simple resale in 1989, in assessing the need for earlier amendments to the licensing arrangements for branch systems, as a further step in an orderly transition towards more extensive competition.

Mobile services

1.33. Developments in the use of radio transmission are currently promising a strong contribution to the provision of new telecommunication services. Your predecessor asked me to advise him on a number of issues associated with the possible use of the radio spectrum becoming available in Band III for the provision of telecommunication services and I gave that advice in the Spring of 1985. I recommended that potential existed for the development of one, or preferably two, national private mobile radio systems as well as a number of local systems and that applications should be invited for licences to run such systems. That advice was accepted and I was next asked to invite applications for licences for the national systems and for systems in the London area. We agreed that BT should not be permitted to act as a network operator or a service provider either directly or through a subsidiary company because of BT's currently dominant position in mobile communications, and the likelihood that its further involvement would act against the best interests of effective competition.

1.34. Four applications were considered for national licences and nine applications for licences for the London area, and I had almost completed my evaluation of these applications by the end of the year. In assessing the applications for national licences, I had in mind the successful experience with competition between two operators in cellular radio telephony; both operators commenced service early in 1985 and although more time must be allowed before judgement can be made about the ultimate success of the systems, early indications are that competition has been highly beneficial in that both operators have exceeded expectations in the rate of development of their systems and in the rate of signing up customers.

1.35. Another important area of mobile communications is that of radiopaging services. This was the subject of representations made to me late in 1984 about the application of fair trading rules and particularly the rules against cross-subsidisation. BT has a strongly dominant position in the market for radiopaging and a number of its competitors complained to me that BT was operating unfairly, in that it was issuing a joint bill for radiopaging services and basic telephone

services and that the joint billing arrangements involved cross-subsidisation. I investigated these complaints with great care, undertaking a market survey of users' attitudes and reactions to the situation and consulting a number of representative associations. On the basis of accounting information provided by BT, I concluded that cross-subsidisation was not taking place in the direct financial sense but that BT was gaining unfair advantages in other ways from joint billing. BT had previously agreed to introduce joint billing after an investigation by the Office of Fair Trading, and the main need as I saw it was to bring pressure to bear to ensure that separate billing was introduced as soon as possible. I obtained advice on the feasibility of rapid progress—and on interim remedies—from a leading firm of chartered accountants and I was pleased that BT subsequently agreed to accept a licence amendment requiring the introduction of separate billing for radiopaging under certain time constraints. One or two additional matters arising out of the initial investigation are still under consideration.

1.36. Your predecessor accepted my advice, during 1985, that some additional frequency which was becoming available should be used for the licensing of new radiopaging systems and I agreed to invite and assess applications for these licences. The closing date for applications was late in 1985 and I had almost finalised my advice by the end of the year. In assessing the applications received, I gave strong weight to the desirability of strengthening the effectiveness of competition in the context of BT's existing market dominance.

Apparatus supply

1.37. As I noted in my first report, the promotion of effective competition in apparatus supply was identified early on as a high priority for OFTEL. To assure the industry of my determination to secure fair competition in apparatus supply, I published a plan of action late in 1984 explaining the main licence requirements to promote fair competition, calling on BT to ensure that its employees understood and observed these rules, emphasising my own determination to enforce them energetically, and stating my intention to conduct an active enquiry into users' experience in the purchase of apparatus to satisfy myself that BT was observing the rules. This plan is still very much in my mind as a statement of the policy I intend to pursue with regard to the apparatus supply business.

1.38. Investigation of complaints made to me during 1985 brought to light one or two cases in which BT was in breach of licence obligations. In the main, these cases concerned the failure to give itemised quotations. I asked BT to explain to me what steps it had taken to avoid a recurrence of these breaches so that I could decide whether or not I had a duty to issue an order requiring compliance with the licence.

BT responded by issuing a strongly worded instruction to its areas requiring them to comply with the licence condition. I await confirmation from BT that each area has given a written acknowledgement of the instructions before regarding these cases as closed. Another complaint that may have involved a licence breach concerned the terms under which BT offered for sale the wiring contained in branch systems. However, in view of the developments that I describe below, with regard to wiring, I did not pursue this matter in the context of my order making powers.

1.39. One of my main priorities during 1985 was the finalisation of the Code to prevent BT from gaining an unfair competitive advantage as a result of the passing of confidential information from the network business to other businesses. I was not satisfied that a draft prepared by BT in 1984 was sufficiently strong in the protections it provided and my concern was reinforced by views expressed to me in consultations with representative associations. I asked BT to consider revisions to its draft and we eventually agreed a Code under which BT must make a record of a customer's consent to the passing of any information from its network business to its other businesses, and must subsequently notify the existence of that record to the customer. This gives customers the opportunity to challenge the record and ensures that a source of information will exist in cases where I have to investigate a complaint relating to the passing of information.

1.40. Concurrently with the finalisation of the Code dealing with confidential information, BT published marketing guidelines for its own staff. I was pleased that BT consulted me about these guidelines and that it included some provisions that I requested. The basic purpose of the guidelines is to ensure that employees are aware of the fair trading rules and aware of the determination of BT's top management that the rules should be observed; the guidelines also contain instructions against the denigration of competitors' products. BT's licence provides the basis for protection against the passing of information from an employee who works for the network business to an employee of the apparatus supply business, but does not prevent employees from working for both businesses at once or control the use of information by those employees. I therefore requested BT to use the marketing guidelines to instruct its employees that they should not *use* information obtained in their role as employees of the network business to gain a selling advantage for other businesses and, in particular, that they should inform customers, when making a sale in these circumstances, that they could also obtain supply from competitors to BT; BT agreed to include instructions to this effect.

1.41. As I noted in my first report, I experienced some difficulty initially because I received a few allegations from complainants about unfair trading practices, on the basis that I would not disclose the names of the complainants to BT. The complainants feared that they would be subject to discrimination by BT in the provision of future services if they were known to have made representations to me. I followed up all of these cases, but my investigations did not reveal evidence on which I could contemplate issuing an order with regard to a licence breach. The difficulty caused by complainants' fear of discrimination has continued to some extent during 1985. In an attempt to diminish it, I approached the BT Chairman and asked him to prepare an open letter that I could send to any complainant, providing assurance of his determination to ensure that BT observed the fair trading rules and indicating that he would take firm action to avoid discrimination against a customer. He readily agreed to provide the letter I requested and I have used it from time to time in dealing with subsequent complaints.

1.42. I received a number of complaints during the year that BT was pricing its apparatus at unreasonably low levels—levels that must imply a cross-subsidy of the apparatus supply business. The complaints related particularly to specialised telephone sets. I approached BT for the provision of accounting information to enable me to consider the allegation of cross-subsidy in greater detail. BT's licence requires it to produce separate accounts for the apparatus supply business as soon as practicable, with April 1987 as an ultimate deadline. I had hoped that BT would be able to provide apparatus supply accounts much earlier than April 1987, and I aimed to investigate progress with the accounts at the same time as the complaints about cross-subsidisation.

1.43. BT could not at first provide apparatus supply accounts but it provided me with separate information to show that the telephones about which the complaint had been made had been acquired before the licence came into effect and written down below cost as a reflection of their low marketability also before that date. I therefore concluded that the case for believing that cross-subsidisation had taken place since the licence came into effect could not be sustained in relation to the complaints received, but I nevertheless gave further consideration to the steps I could take to satisfy myself about allegations of cross-subsidisation in advance of receiving detailed accounts. I also pressed BT for early submission of the accounts, indicating that I should be willing to accept estimated accounts if fully audited ones could not be produced. I am glad to say that BT responded by producing such accounts towards the end of 1985, and I am currently still engaged in analysing these to satisfy myself that BT's pricing practices are fair in the current market situation.

1.44. A few cases arose during the year in which I had to consider the need for changes in practice, with or without additional rules, in the interest of promoting effective competition. Notable among these was BT's proposal to acquire Mitel, the Canadian manufacturer of telecommunications apparatus. The Director General of Fair Trading has responsibility for advising you about the need to refer proposed mergers to the Monopolies and Mergers Commission (MMC), although I have a general function of giving advice, and I could also use my powers to initiate procedures for amending a telecommunications licence if that seemed to be a desirable course of action.

1.45. I worked closely with the Director General of Fair Trading in studying the implications of the Mitel acquisition and we agreed in submitting joint advice to your predecessor. He subsequently referred the proposed acquisition to the MMC for investigation. The main issue raised by the proposed merger was the danger that BT might build upon its strongly dominant position in apparatus distribution and supply to create a vertically integrated monopoly in a way that would harm the level of competition among UK manufacturers. I worked with the MMC to help with their investigation, submitting a paper giving my views of the situation and meeting with them twice for discussion of possible safeguards. The main principles that guided the formulation of views I put to the MMC were that BT should be given every encouragement to develop its business overseas but that sure safeguards were needed to prevent significant deterioration in the level of competition in the UK. The MMC reported to your predecessor in December, recommending that the acquisition should be allowed subject to BT's giving certain undertakings in the interest of effective competition in the UK.

1.46. Another issue on which regulatory changes may be needed concerns wiring in branch systems. I received a number of representations stating that existing practices with regard to wiring tended to work against the securing of orders by BT's competitors. The nub of the problem, which is extremely complex in all its details, is that BT owned the wiring as at the date of privatisation and that a customer who wished to acquire new call routing apparatus from a competitor to BT had first to acquire the wiring in order to be able to make acceptable arrangements for maintenance: BT might refuse to maintain apparatus that it did not supply; it did not allow others to maintain wiring that it owned; and yet, under the Branch Systems General Licence (BSGL), wiring and apparatus had to be maintained by a single maintainer. Hence, acquisition of the wiring by the customer might be the only feasible approach.

1.47. BT's licence gave it an obligation to make the wiring available to a customer, on reasonable terms, but these arrangements appeared not to be working out satisfactorily in practice. I began an investigation

to consider whether or not I needed to make an order to enforce the licence and also to consider the possible need for licence modifications; however, I was glad to discover that BT was willing to consider changes in its practices and discussions had made good progress by the end of 1985.

1.48. Another area that required continuing and careful consideration during the year was that of BT's acquisition and use of intellectual property rights. I received representations arguing for a modification of licence rules governing BT's acquisition of intellectual property. I concluded that I could not proceed with this proposal because I had not been given any evidence to show that existing regulations were contributing to inhibitions of competition. However, I have kept the situation under careful review, and I intend to undertake a further investigation in 1986 to satisfy myself that matters are under control.

1.49. Two other important aspects of the workings of apparatus supply markets have been the subject of consideration by me during the year. The first concerns extensions to private automatic branch exchanges. A representative association drew my attention to the difficulty with this market, associated with the fact that only the original installer of a private exchange would in practice be willing to provide a quotation for extension work and hence that the original installer would have a monopoly supply position in relation to the extensions, albeit a limited one. The challenge arising out of this difficulty is to create the conditions under which it is economic for competitors to enter this market, given the need for detailed information about the system configuration, in order to prepare a quotation. My investigation of these matters was continuing at the end of the year. The second issue concerned the wiring of domestic systems. I was asked to consider the case for liberalising the supply and installation of extension wiring (which is mainly a matter of apparatus approval, and therefore involves your function with my advice), and also to consider the liberalisation of the 'Master Socket', the main termination point for the public network. My investigation of these matters was in progress at the end of the year.

1.50. Finally, in this review of matters affecting competition in apparatus supply, I will mention the setting of standards for the connection of apparatus to the public switched telephone network and the approval of apparatus after testing. The functions in this area are still exercised by you although the DTI staff having expertise in this area were transferred to OFTEL during 1985 and are now advising you on the exercise of your functions. If competition in apparatus supply is to realise its full potential benefits, the standards for apparatus must be no more complicated than necessary to protect the quality of the network,

standards must be available to deal comprehensively with all kinds of apparatus and network configurations, and testing must be carried out expeditiously and economically. A good deal of progress towards these goals has been made during 1985 and work in progress, including notably the review of standards, can be expected to bring about further progress. However, we are in a period of transition and much remains to be done before we can be satisfied with the situation. This is an area where continuing energy, in pursuit of effective competition, is strongly needed.

Other matters

BT's procurement of public switching equipment

1.51. One of the most important issues with which I had to deal during the year concerned BT's practices in purchasing digital switches for public exchanges. BT had previously been working with Plessey and GEC to develop the switch known as System X and many people expected that those two companies would be the sole suppliers of digital switches to BT. However, BT wished to obtain another source of supply and it announced, during 1985, a substantial order for a second switch, which became known as System Y, from Thorn Ericsson. I received numerous representations, including representations from an all-Party delegation of Members of Parliament, to the effect that BT's partial abandonment of Plessey and GEC was unfair. I therefore conducted an investigation of the situation and published a full report setting out my conclusions.

1.52. System Y is to be manufactured in the UK though it uses basic Swedish technology, adapted for the UK market through development work carried out in the UK. The issues raised by this investigation were difficult ones. Like most digital switches around the world, System X had experienced delays in development. However, it is widely regarded as a technologically excellent product and the development difficulties seemed largely to have been overcome at the time of my investigation (a view which has been confirmed by encouraging progress subsequently). Furthermore, allegations were made that the development difficulties were largely attributable to BT's highly demanding specifications for the product.

1.53. I took the view that little was to be gained by establishing who was responsible for the development delays or by investigating the reasonableness of the specifications or other matters that were part of the complex history of the product. Such work would have been costly and would not have yielded definitive conclusions about policy for the future. The important thing was to get clear the concept that should guide future action. In doing this, I gave particular emphasis to my duty

to promote the interests of consumers and also to my duty to promote the ability of companies manufacturing in the UK to compete effectively both inside and outside the UK. I concluded that BT was behaving with reasonable and normal commercial prudence in seeking a second source of supply, in the interests of putting pressure on suppliers, with the aim of bringing about an improved service to consumers at the earliest possible time. However, I was also aware that careful attention needs to be given to the problems of transition to a more competitive environment and I was concerned that the actions of BT might damage Plessey and GEC, if it allowed them too little time to adjust to the changed market situation. I therefore expressed the view that BT should limit its purchases from sources other than those of System X for a period of three years, subject to the condition that System X suppliers achieve reasonable performance as far as price and delivery date were concerned. I believed that this line of action would be consistent with BT's own interests as well as with the interests of the UK as a whole.

1.54. Some of those who complained were no doubt disappointed in the outcome in that they had hoped to see a requirement put in place that BT should buy specified proportions of its total purchases from British companies. Apart from the point that Thorn Ericsson is a UK company, with plans to have a high UK manufacturing content, I have no powers to force BT to observe a purchasing quota, even if I thought it desirable; European competition law requires goods manufactured by British companies to be treated the same as goods manufactured by non-British companies. BT equally felt disappointed by my conclusion in that it regarded the proposed three-year limitation as unduly restrictive. However, I have been encouraged by subsequent developments which have seen an acceleration in deliveries of System X and indications that BT intends to press ahead with its programme for conversion to digital switching on an ambitious timescale, with System X continuing as the main system.

1.55. My study of BT's procurement policy focused my attention on the very difficult situation that exists internationally in the manufacture of public switching equipment because of extreme overcapacity on a world-wide basis. Many people believe that rationalisation is needed to reduce the number of competing manufacturers and to allow the industry to take more advantage of the scope that exists for economies of scale in research and development and in production itself; rationalisation could come about by merger or by various forms of co-operative enterprise. With this background, I noted with interest the various proposals that might lead to the merger of the public switching businesses of Plessey and GEC. I consulted with the Director General of Fair Trading when he was formulating his recommendation to your predecessor about the proposed merger acquisition of the whole of

Plessey by GEC, although the implications of that proposal went wider than the telecommunications industry itself. The proposed merger has subsequently been referred for investigation by the MMC.

Security services

1.56. Another complaint of special interest, in that it raised wide-ranging issues, related to BT's Telecom Red service. This is a security service that involves monitoring the state of a telephone circuit and can, via a central processor, transmit alarms to police or fire services or to central control stations operated by other firms. The complaint was made by companies providing security services which could be in competition with BT's services. It included allegations that BT had circulated marketing literature to a targeted mailing list of customers known to be interested in security services, involving a passing of information which would be in breach of the code on confidentiality of customer information if it were in effect at the time; the complainants also alleged that the information circulated was misleading, and that BT was cross-subsidising its Telecom Red business unfairly in the competitive context.

1.57. I investigated these allegations. BT argued that Telecom Red was a basic service as distinct from a value added service and that the rules on cross-subsidisation and in restriction of the passing of confidential information did not apply to it. However, I took the view that this business was at least partly in competition with other businesses and that the Fair Trading rules should be applied to it, regardless of whether or not it technically fell into the definition of a basic service. I am glad to report that BT then agreed to observe the Fair Trading rules in relation to businesses like Telecom Red and it agreed to write again to the customers who had received the marketing literature previously, using a text agreed with me, to remove any possibility of misunderstanding.

Disputed accounts

1.58. Some of the complaints made to me during the year related to debts claimed by BT to be due to it, but disputed by a customer. The complaints sometimes involved allegations that BT had discriminated unduly against the customer, for example by forgiving debts payable by others in similar circumstances, or that an abuse of monopoly power was involved in that the contract terms were more onerous than would be expected in a competitive situation. In such cases, I investigate the complaint and I stand ready to issue an order enforcing the licence if I find that undue discrimination has taken place and that satisfactory steps have not been taken to prevent a recurrence; I also stand ready to consider the need for a licence amendment if I believe that an abuse of

monopoly power has taken place, but that no existing licence rule is available to control it. My decision about these matters may affect subsequent negotiations between BT and the complainant about the settlement of the disputed account. However, I have to be clear about the limit of my powers. I can use my good offices to ensure that BT has considered all aspects of the situation at a sufficiently senior level; but I cannot enforce a particular settlement of the dispute. My order making powers and my licence amendment functions can constrain only BT's future actions. Settlement of disputed accounts is ultimately a matter for the courts.

Communication

1.59. In my first report I emphasised the importance of good communication, both within the UK and overseas. I have continued during 1985 to have regular communications with representative associations of all kinds and I have found this contact extremely valuable in giving me a balanced view of the interests of different sections of the telecommunications community. All my statutory Advisory Committees have now started work and I am finding their advice and support extremely helpful. I have established the practice of holding regular meetings of the Chairmen of the six advisory committees for purposes of co-ordination and I have recently finalised arrangements to establish a new advisory body, the Telecommunications Forum, which will provide a vehicle for regular contact with a number of organisations, including the public telecommunications operators, associations representing user and industry interests, the trade unions and others.

1.60. I have continued my policy of promoting open debate about the issues under consideration. To this end I have published a number of consultative documents about matters under consideration, and I have published reports and statements about matters of general interest, including matters on which your predecessors have asked me to advise them. I have given numerous speeches at conferences and also a large number of interviews to the press. I have commenced publication of 'OFTTEL News', a regular summary of important developments and events in telecommunications, and particularly in regulation, sent free of charge to a large number of readers.

1.61. I believe that the liberalisation of telecommunications in the UK has brought benefits that are strong and already discernible in the growing diversity of products and services available in the market at competitive prices. However, the full benefits of liberalisation will be obtained only when other nations have adopted similar policies and when services provided internationally can be similarly freed from restrictions and open to competition. More and more nations in the

world are showing interest in liberalisation and steps towards liberalisation have been made in different ways in different countries. I believe I can make a useful contribution by meeting people from other countries to explain the rationale of recent developments in the UK and to exchange views on the advantages and disadvantages of different approaches to the shaping of the telecommunications industry. Following my visit to the United States and Canada in 1984, in 1985 I visited Japan, Malaysia, France, Spain, Italy, Germany and Norway to give speeches at conferences and to meet people in Government, in network operation, and in manufacturing industry. I valued the opportunity to speak at the first International Conference for Users, organised by INTUG. I also visited the Commission of the European Economic Community for an exchange of views about policies and other matters of mutual interest, and I participated in the special session of the OECD Committee for Information, Computer and Communications Policy in Paris in November. I also received numerous visits from overseas delegations including the Steenbergen Commission, which undertook an official review of telecommunications policy in the Netherlands, and from Professor Witte, who is heading a similar commission in the Federal Republic of Germany.

1.62. I have also held discussions with people concerned with the possible privatisation of other organisations in the UK, with the objective of sharing information about the lessons to be learned from our experience in regulation. Such discussions have covered the water industry, the gas industry, airports and other matters within the scope of the Civil Aviation Authority.

Administration

1.63. Finally, I want to say a few words about staffing and resources. As reported in more detail in a later section of this Report, OFTEL's staff had exceeded 90 by the end of 1985. This number is a good deal larger than was envisaged when plans for OFTEL were being developed. It is a number well justified by the volume and diversity of matters with which we have to deal and it indicates, I believe, that the arrangements for providing our resources contain a sufficient flexibility to give me the numbers needed to do the job. We have experienced some difficulties during the year, not in obtaining agreement to the establishment of posts but rather in finding people with suitable skills to fill all the posts that had been established. A few delays were experienced in finding people to fill key positions but I am conscious of and grateful for the evident efforts that were made by the Personnel Management Department of the DTI to understand our needs, and meet them as quickly as possible, given the real constraints faced by that Department.

1.64. We have made strong efforts, as befits a department concerned with telecommunications, to use modern technology as effectively as possible to complement our people. Excellent work has been done by our branches and their advisers in developing computer systems to improve our handling of complaints and our keeping of statistical information. We have now established systems under which summarised case histories of all complaints are held on computer and are available for interrogation (only by OFTEL staff) from terminals in key locations. This system will enable us progressively to provide faster and surer service to people who complain, with more time and facility to examine the principles which govern the handling of those complaints.

1.65. I should like to thank warmly the OFTEL staff for the energetic support they have provided during 1985. Many of them have been working under considerable pressure but they have borne this cheerfully and efficiently, probably because they share my view that the task we are engaged upon has the potential to bring great benefits to the users of telecommunication services.

SECTION TWO

OFTEL

Background

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

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

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

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

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

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

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

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

Staff and premises

2.5. OFTEL has a small staff, including telecommunications experts, and draws extensively on outside advice from a wide range of sources. These include statutory and non-statutory advisory bodies, consultants, and other sources of advice in the industry and among users.

2.6. At 31 December 1985 there were 89 full-time and four part-time staff. A number of vacancies are in the course of being filled and numbers are expected to increase during 1986 to approach 120. A list of senior staff showing the five Branches into which OFTEL was divided at the end of 1985, is at Appendix 6.

2.7. During 1985, OFTEL continued to occupy accommodation in Atlantic House, Holborn Viaduct. A previously expected move to alternative premises did not materialise for various reasons.

Statutory Advisory Bodies

2.8. Under section 54 of the Act the Secretary of State is required to establish advisory bodies on telecommunications matters affecting England, Scotland, Wales and Northern Ireland respectively. The Director General is consulted on these appointments. The national Advisory Committees on Telecommunications (ACTs) in Scotland, Wales and Northern Ireland were appointed on 31 August 1984. Members of the English Advisory Committee (ENACT) were appointed during 1985 and its inaugural meeting was held on 30 September at OFTEL.

2.9. Under the same section of the Act the Director General himself is required to establish two further advisory committees. The first, the Advisory Committee on Telecommunications for Disabled and Elderly People (DIEL), met three times during 1985. The second, the Advisory Committee on Telecommunications for Small Businesses (BACT), met for the first time in November.

2.10. The reports of these statutory advisory committees are in Section Eight of this Report.

2.11. In addition, the national Advisory Committees and OFTEL are assisted by over 160 local Telecommunications Advisory Committees (TACs—also known as Posts and Telecommunications Advisory Committees (PATACs)) recognised under section 27 of the Act as representing consumers. The role of these bodies is described further in Section Five.

2.12. All these advisory bodies play an important role in promoting the interests of those with whom they are concerned, and are expected to be a major element in influencing the development of telecommunications in the UK.

SECTION THREE

PTO licences and competition

Public Telecommunications Operators (PTOs)

3.1. At 31 December 1984, only three PTOs were licensed. In the course of 1985, PTO licences were granted to the two cellular radio operators, Cellnet and Racal Vodafone, and in addition licences were granted to eight of the eleven pilot broad band cable operators.

3.2. During 1985 OFTEL's monitoring of PTO licences has continued to be concerned with three main aspects. First, ensuring that licencees meet prescribed dates for matters such as submission of information, establishment of Codes of Practice and the agreement of procedures on operational matters: as the timescales for implementation of PTO licences run over several years, licences granted in both 1984 and 1985 have been involved. Second, consulting with licencees, customers and suppliers on the application of licences including investigation of complaints and possible licence breaches. Third, verifying the observance of licence conditions other than those which have been the subject of complaints.

3.3. BT has remained the primary focus of activities; it is both the monopoly carrier and a dominant supplier of subscriber attachments. However, the other national carrier, MCL has continued to develop its systems and will start switched services in the Spring of 1986.

Representations

3.4. During the year 1,114 complaints and enquiries concerning PTO licensing and related issues were received by OFTEL of which all but a few related to BT (see Appendix 1). The two main sources were BT's role as supplier of subscriber apparatus and the level and trend of BT's tariffs.

3.5. Last year attention was drawn to the reluctance of many complainants to be identified to BT through concern that their subsequent relations with BT might be affected. This need for anonymity made it more difficult to agree the facts of the relevant complaints with BT and so obtain a satisfactory outcome. The position has been substantially improved by a letter from the Chairman of BT to the Director General in which BT's willingness to co-operate fully in the investigation of complaints was firmly stated. The contents of the letter have been drawn to the attention of all relevant BT staff. Where complainants are reluctant to be identified to BT, OFTEL can now give reassurance on BT's policy on complaints and its commitment to continued co-operation with customers.

Interconnection

3.6. PTO licences provide that where operators are unable to agree on the terms and conditions for interconnection of their systems, the Director General can be asked to determine them. MCL and BT were unable to agree on the basis for the interconnection of their systems; accordingly MCL applied on 30 January 1985 and 21 March 1985 to the Director General for a determination. The 'Determination of Terms and Conditions for the Purposes of an Agreement on the Interconnection of the British Telecommunications Telephone System and the Mercury Communications Ltd System under Condition 13 of the Licence granted to British Telecommunications under Section 7 of the Telecommunications Act 1984' was issued by OFTEL on 11 October 1985. The process involved extensive consultation with MCL and BT.

3.7. The determination implemented the two principles which are included in Condition 13 of BT's licence. Firstly, that any customer of one network should have access to each and every customer of the other network—'any-to-any' interconnection. Secondly, that any customer should be able to choose which network is used. The determination also established the prices, based on BT's costs, which should be paid by MCL to BT for use of its network. In addition the determination covered technical principles such as numbering, routing, standards, safety and operational liaison.

Mercury

3.8. For MCL 1985 was a year during which its network was further expanded. But in the absence of a switched service many of its licence obligations remained dormant.

Hull

3.9. Hull Telephone Department continued with the replacement and modernisation of its main exchanges by System X equipment designed to meet future exacting customer requirements. A side-effect of this re-equipment programme will be to provide greater flexibility in charging and so reduce the extent to which Hull is constrained to apply the same unit call charges as BT.

Cellular radio

3.10. The two cellular system operators, Racal Vodafone and Cellnet, exceeded the most optimistic forecasts of growth in their inaugural year. This placed particularly heavy strains on the quality of service in parts of the London area at peak periods, despite the special measures taken

by the operators to expand the capacity of their systems to match demand. During the year, Racal Vodafone concluded its Code of Practice for Consumer Affairs (for publication early in 1986) and at the end of the year was well advanced with its Code of Practice on the confidentiality of customer information. Discussions were still taking place with Cellnet about both its Codes.

Cable

3.11. During 1985, eight broadband cable operators received their licences under section 7 of the Act and were granted PTO status. By the end of the year, seven had started to provide cable programme services. Other telecommunications services were not offered. The eighth licensee is expected to launch its service in Autumn 1986. (A list of licences granted during the year is at Appendix 3.)

3.12. A further four franchises for broadband cable systems were awarded by the Cable Authority. OFTEL was involved both in the discussions that led to these awards and the subsequent negotiations with DTI for Telecommunications Act licences. It is expected that DTI will issue these licences during 1986.

Competition issues

3.13. The Director General regards the promotion of competition as one of his primary aims and OFTEL devoted much effort during the year to fostering competition between suppliers so as to ensure that consumers were treated fairly. Actions continued to follow up the OFTEL consultative document 'Effective Competition (Telecommunications Apparatus)'. An important step was the publication by BT in August of its Competitive Marketing Guidelines.

3.14. OFTEL continued to receive numerous complaints about the restrictive effect on competition in apparatus supply resulting from BT's ownership of most internal wiring systems (see Appendix 1). BT is obliged by its licence to make such wiring available, either by purchase or by rental, to customers wishing to use it with non-BT maintained call routing apparatus. To date BT has been prepared only to sell such wiring and the cost of buying the wiring from BT and then bringing it up to the required standard, plus (in the case of integrated wiring) the charges for providing a new BT monopoly services overlay, often compared unfavourably with the alternative of continuing to use BT's wiring on rental terms in association with BT supplied call routing apparatus.

3.15. Discussions with BT were still in progress at the year end, but BT was considering important changes in its wiring and maintenance

policies which would be aimed at providing purchasers of call routing apparatus with a financially equivalent choice as between purchase and rental of internal wiring. This should create freer and fairer competition in apparatus supply.

Maintenance

3.16. OFTEL continued to be much involved with matters relating to the maintenance of call routing apparatus, whether new or secondhand. The review of the structure of maintenance contracts (that is the virtually universal requirement by maintainers that such contracts be fully prepaid, quarterly in advance) was concluded by the summer. The relevant regulations only require that the contracts contain an element of prepayment and it was argued that it was unreasonable to require full prepayment. After careful consideration, OFTEL concluded that there were also wider considerations in favour of full prepayment, to set against the reduced customer choice resulting from the non-availability of maintenance services on a call-out basis. Action would not be justified at present to secure greater availability of partly prepaid services, but the situation will be kept under review.

3.17. OFTEL also received significant numbers of complaints about difficulties in obtaining maintenance contracts for secondhand call routing apparatus which had been supplied originally by BT and which only it was approved to maintain, but which BT was not legally obliged to maintain. Individual complaints were raised with BT, leading to maintenance contracts being offered in all cases; but it was felt that the uncertainty about whether or not BT would be willing to maintain such systems was having a detrimental effect on the market for used call routing apparatus. OFTEL sought from BT a more formal commitment either to maintain such systems or else (in the longer term) to allow others to achieve approved maintainer status. No final decisions had been made by the year end, but it was expected that BT, whilst not maintainer of last resort, would recognise the need to accept a role wider than its formal legal obligations, as regards the provision of maintenance services for both used and new equipment.

3.18. OFTEL's discussions with BT about wiring issues covered maintenance of new call routing apparatus, as it was BT's perceived reluctance to maintain systems which it had not directly supplied (even where the same system was within the BT apparatus portfolio) that forced those wishing to buy call routing apparatus from BT's competitors also to buy their internal wiring. No firm decisions had been made by the end of the year, but BT was expected to give a commitment to maintain a wider range of call routing apparatus in the future; so that more people wishing to buy non-BT apparatus would be able to continue to use BT integrated wiring on rental terms.

Radiopaging billing

3.19. Despite the report by the Office of Fair Trading in April 1984 recommending the introduction by BT of separate billing for radiopaging services as soon as practicable, OFTEL continued to receive complaints that the practice of integrated billing continued. The problem was compounded when BT introduced a new alphanumeric service still with billing integrated with that of its network services. In response to complaints by the independent radiopaging operators that such practice represented unfair competition by BT, the Director General carried out a thorough investigation. He concluded in the 'Report on Investigation of Complaint about Alleged Unfair Competition in Radiopaging' that there was neither undue discrimination by BT between customers, nor unfair cross-subsidy of the radiopaging business from BT's network business. However, he took the view that separate billing was strongly to be desired as a means of promoting fair competition. In December 1985 using his powers under the Act, the Director General amended BT's Radiopaging Licence, with the company's agreement, to require separate billing for some customers by 30 April 1986 and for the remainder as soon as possible thereafter.

System Y

3.20. Following BT's announcement that it intended to purchase a second range of digital exchanges—'System Y'—from Thorn Ericsson Telecommunications Limited instead of solely relying on System X produced by Plessey and GEC, the Director General received a number of representations and responded by making a thorough investigation of the issues involved. The outcome was the document 'British Telecom's Procurement of Digital Exchanges', published by OFTEL in July 1985. After considering the broader implications for UK employment, exports and competitiveness, the Director General concluded that BT's decision to second source was acceptable and reflected normal commercial prudence. However, as set out in paragraph 1.53, he did put forward the view that, unless supply of System X suffered a major failure, BT should restrict purchases of System Y for the next three years to allow GEC and Plessey time to adapt to the new situation. BT expressed some reservations about this advice, but has since announced an acceleration of its programme of digitalisation which may produce broadly the same effect.

BT/Mitel

3.21. Following advice from the Director General of Fair Trading and the Director General of Telecommunications, the Secretary of State for Trade and Industry referred to the MMC the proposed acquisition by BT of a 51 per cent share in the Mitel Corporation, a

Canadian company. Mitel has a factory in Wales and is a successful supplier to the UK telecommunications industry, particularly of call routing apparatus. BT was keen to use Mitel's successful product range and well-developed international sales network for access to world markets. As described in paragraph 1.45 the Director General gave evidence to the MMC. The MMC's conclusions, presented to the Secretary of State in December, were that while BT's development internationally should be accepted, the UK market could be adversely affected should BT, with its dominance of the UK PABX market, be free to sell Mitel's products in the UK without further safeguards. The MMC consequently recommended that the merger should only be allowed to proceed if BT gave undertakings that precluded it from selling Mitel products in the UK. At the end of the year, discussions on the consequent undertakings were in progress between the Director General of Fair Trading and BT in which the Director General was also taking part.

Prices

Accesslines and private circuit charges

3.22. OFTEL received many complaints during 1985 about the restructuring of BT's charges for accesslines and, to a lesser degree, for private circuits. The distinction between accesslines and private circuits is made for commercial reasons by BT according to whether the dedicated circuit gives access to the PSTN. BT argued that dedicated circuits generally had historically been underpriced, hence considerable price adjustment was necessary to enable the service to yield an economic return. OFTEL has been concerned about the extent of the price increases and about the new method of charging, (applied to accesslines from July 1984 and to private circuits from April 1983) which is intended to reflect the individual cost of circuits routed through BT's network, rather than the cost of providing service on a point-to-point basis. OFTEL has therefore been carrying out a detailed review of leased line pricing generally, and accessline charges in particular, to determine whether the new charges reflected accurately BT's costs in providing the services in question and also whether the new method of charging was fair and reasonable.

3.23. This detailed and complex review was well under way at the end of the year. However, the Director General's preliminary view, based on initial information provided by BT, was that accesslines and private circuits were not currently producing an excessive rate of return.

Controlled prices

3.24. In addition to the complaints about charges for accesslines and private circuits discussed above—charges which are not directly

regulated by BT's licence—OFTEL received a large number of complaints about the annual price changes in November. These changes affected those services covered by Condition 24 of the licence—residential and business rentals and charges for direct dialled inland calls. Although the Director General had, before BT announced the revised charges, concluded that the average price increase of this 'basket' was at least 3 per cent less than the rate of inflation, OFTEL undertook to prepare a detailed statement in response to the adverse public reaction. In the statement issued in December, 'British Telecom's Price Increases—November 1985', the Director General confirmed that BT had not breached its licence, and that its rate of return was not so clearly excessive that he would be justified in overturning a rule so recently established and approved by Parliament. However, he outlined a number of ways in which he would be keeping BT's future activities, including the justification for further rebalancing of local and trunk tariffs, under close review; and he gave some pointers to the kind of regime which he might wish to recommend to replace the RP1-3 formula which expires in 1989.

Service obligations

3.25. Work continued at the year end on a statement of procedures by BT and the other PTOs on the giving of notice about system changes likely to affect existing terminal apparatus. Similarly plans for the handling of lists of those eligible for Priority Fault Repair because of the 'emergency' or 'essential' nature of their work continued to make steady progress.

SECTION FOUR

Non-PTO licences, apparatus and contractor approvals and standards

Branch Systems Licences

4.1. The Secretary of State has not yet delegated licensing powers to the Director General; OFTEL's role has therefore continued to be that of advising the Secretary of State on the terms on which licences should be issued. During the year the Secretary of State, acting in the light of OFTEL's advice, issued 57 licences for the running of non-public telecommunication systems. These are listed in Appendix 4.

4.2. 1985 saw the emergence of a number of problems connected with the licensing of non-public telecommunication systems. The First Report of the Director General noted that the Class Licence for the Running of Branch Telecommunication Systems (the BSGL), which came into effect on 5 August 1984, established new rules for the running of telecommunication systems on private premises. When it issued the BSGL, the Government made clear its willingness to license individually the running of systems which made greater use of private circuits leased from the PTOs than was permitted by the BSGL provided it could be demonstrated that this would serve the mutual business interests or enhance the economic performance of a closed group of users (but not merely to cut their expenditure on call charges at the expense of the PTO's traffic revenues).

4.3. Nevertheless it was expected that the great majority of business users, including those using private circuits within extended single-company networks, would be covered by the BSGL. The complexity of the BSGL continued to give rise to a large volume of enquiries from users seeking advice on whether their systems were covered by its provisions. A total of 124 such enquiries were dealt with in 1985. Proposals to publish an explanatory guide to the licence had however to be dropped when a number of problems associated with the interpretation of the text of the licence came to light. These problems caused difficulties in turn for the drafting of the individual licences based on the BSGL. Pending the resolution of these problems and to meet the immediate needs of private network operators OFTEL advised the Secretary of State to issue a number of temporary licences. Of the 57 non-PTO licences issued in 1985, 53 were temporary. Fifteen were renewals of earlier licences.

4.4. Appendix 4 also illustrates the wide range of users who have been able to meet the criteria announced in the statement of the then Minister of State for Industry and Information Technology on 20 July 1984 for the individual licensing of private networks. Each case has been examined on its merits and the systems licensed include those run by local authorities, airports, public utilities and groups of companies having common business interests, all of which have been able to demonstrate sound operational reasons why some relaxation of the BSGL's provisions should be permitted.

4.5. Partly to obviate the problems of interpretation referred to above, OFTEL embarked in 1985 on a review of the BSGL intending to recommend to the Secretary of State the issue of a revised version of the licence to be accompanied at the outset by explanatory notes. The terms of the review included examination of the scope for relaxation, as well as simplification, of the existing restrictions. It was hoped that the number of individual licences needed would thereby be reduced and that some of the temporary licences issued in 1985 would not need to be renewed. The simplification of the licence and the publication of explanatory notes should reduce the number of enquiries and enable the remainder to be dealt with more quickly. The terms of this review also had regard to the Director General's statutory duty to ensure against any too rapid diversion of revenue from PTOs which might, *inter alia*, jeopardise BT's ability to provide an efficient nationwide telecommunications service—including the parts of that service which yield no commercial profit. This review proved to be a formidable task and was not yet completed at the end of the year.

4.6. During 1985 work continued on the scrutiny of the 2,000 or so licences issued prior to 5 August 1984 by BT and the Post Office to operators running private telecommunications networks. Particulars of licences were examined to determine whether the system would now be covered by the BSGL or other class or general licences or, if not, whether the circumstances justified OFTEL's recommending to the Secretary of State the issue of an individual licence. These networks were the subject of nine of the individual licences issued in 1985. A high proportion of the remaining pre-August 1984 licences were found to be for broadcast relay systems or private mobile radio systems, for both of which categories class licences were in preparation. In addition to these over 200 assorted licences were awaiting examination at the end of 1985. It will therefore almost certainly be necessary to prepare a Statutory Instrument to defer the August 1986 expiry date, fixed under the Act for such licences as have not expired or been revoked sooner.

4.7. To clarify the rules for operators running their systems under the BSGL or individual licences OFTEL published in February 1985 a

leaflet in the 'Update' series clarifying the rules on the provision of information to the Director General set out in Conditions 1 and 10 of the BSGL and in corresponding conditions in individual licences.

Public guidance on wiring

4.8. During 1984, OFTEL became aware of the need for simple yet clear guidance on the rules covering the provision of telecommunications wiring on private premises and particularly on BT's licence obligations to make existing internal wiring and associated apparatus available to customers on request. Accordingly, in March 1985 OFTEL issued a booklet entitled 'Telecommunications Wiring in Business Premises and Homes', defining the boundary between the public network and private systems, setting out the basic rules on the provision and use of wiring and explaining the relevant conditions of the BT licence. The booklet was generally well received and OFTEL hopes to produce an updated edition in 1986.

Licensing of value added networks

4.9. The practical problems experienced in the interpretation and administration of the BSGL influenced OFTEL's response to the proposals set out in the DTI's consultative document of June 1985 for a new licensing regime for value added networks (VANS). OFTEL endorsed the need for a new regime to regulate the supply of value added services in the period leading up to full liberalisation. It acknowledged the need to remove the uncertainties inherent in the 1982 VANS General Licence and to take account of subsequent technological advances. However OFTEL's advice to DTI was that the proposals would need radical simplification if they were to be readily understood by service providers and users and if the resulting licences were to be enforceable. In particular, OFTEL urged the abolition of the distinction made in the June proposals between basic conveyance and other value added services. OFTEL's advice also emphasised the need to achieve a balance between the interests of business users, who needed access to all the latest technology if they were to optimise their performance at home and abroad, of non-PTO suppliers who needed to be able to operate in a climate of fair competition, and of the PTOs themselves whose revenues need to be protected against unwarranted diversion. OFTEL welcomed the proposal in the revised discussion document issued by DTI at the end of December 1985 for a single class licence to cover all value added services which would be simpler to enforce. Other aspects of the proposals were still for consideration at the end of 1985.

Land mobile radio licensing

4.10. During 1985 OFTEL carried out wide ranging discussions with potential users of private mobile radio (pmr) services, with service providers and with manufacturers in order to be able to formulate advice to the Secretary of State on the possible allocation of radio frequencies in Bands I and III for private mobile radio after those frequencies ceased to be used for television broadcasting early in 1985, and on the expansion and allocation of radio frequencies for wide area radiopaging.

4.11. The Director General's advice to the Secretary of State on Bands I and III, submitted in April and published in June 1985, was that there should be an immediate call for applications in the middle sub band of Band III for licences to run:

- (i) trunked systems of from five to 20 channels in centres outside the London area;
- (ii) up to five trunked systems of 20 channels in the London area (the limit of five such systems was recommended in order to conserve spectrum for (iii)); and
- (iii) one or two nationwide systems.

4.12. The Director General's advice to the Secretary of State on wide area radiopaging, published in June 1985, was that applications should be invited for several additional nationwide paging services. Here a major problem was BT's near monopoly and the measures taken to confirm the abolition of BT's practice of joint billing are dealt with in 3.19 of this report. The Director General recommended that in the resulting licence voice transmission should not be barred at 454 MHz, that compatible channels at 153 MHz should be made available, should need arise, to firms other than BT who hold licences enabling them to operate nationwide services; that consideration should be given to releasing radio spectrum for pilot schemes under strict conditions; and that some frequency should be reserved for private operators of wide area paging.

4.13. Ministers accepted the advice given, and OFTEL was subsequently asked to judge between eight applicants for radiopaging licences, nine for a London pmr network and four for a nationwide pmr network. Consideration of these applications was nearing conclusion at the end of 1985.

Approvals

4.14. Two fundamental provisions of the BSGL which are duplicated in all individual licences except those relating to PTOs are that all

apparatus comprised in any system connected to a public telecommunication system must be approved for such connection under section 22 of the Act. In the case of call routing apparatus, there must be an agreement for the maintenance of that apparatus. Maintenance may only be carried out by the public network operator or by a contractor approved under section 20 of the Act. The Secretary of State has not authorised the Director General under sections 20 and 22 of the Act to issue such approvals. But since 1 April 1985, OFTEL has been advising the Secretary of State on all individual approval cases and on the administration of evaluation schemes for particular classes of apparatus. To provide resources for this work, the staff previously working in DTI on approvals matters were transferred to OFTEL on 1 April 1985. OFTEL continues to play a similar advisory role in the drafting of standards and their designation under section 22 of the Act for the purposes of the approval of apparatus.

Apparatus approvals

4.15. From 1 April 1985 OFTEL has been making recommendations to the Secretary of State for the approval of individual items of telecommunication apparatus. Recommendations are made on the basis of technical evaluations performed by BT and BABT. Of the 1,157 approvals granted by the Secretary of State between 1 April and 31 December 1985, 135 were for telephones (of which eight were cordless) 17 for call routing apparatus and 36 for cellular radio and radiopaging equipment. Approval of one item of apparatus was withdrawn during the period on OFTEL's advice. A further 428 approvals were given between 1 January 1985 and 31 March 1985; the total for the year was therefore 1,585 approvals given, of which one was withdrawn.

Contractor approvals (maintenance)

4.16. Between 1 April and 31 December 1985 the Secretary of State granted 63 approvals under section 20 of the Act to independent contractors wishing to maintain items of call routing apparatus. One was withdrawn. On 31 December 1985, 165 approvals were in force covering 50 different contractors in respect of 82 models of call routing apparatus. Of these, 85 approvals were given and one withdrawn between 1 January 1985 and 31 March 1985: the total for 1985 is therefore 148 approvals, of which two were withdrawn. Of the approvals given 55 were re-issues in permanent form of temporary approvals granted on the entry into force of the Act in August 1984.

4.17. Closely associated with work on apparatus and contractor approvals is the maintenance of OFTEL's statutory public registers dealt with in Section Six of this Report.

Standards

4.18. Following a request by the Secretary of State to the Director General for formal advice on how existing and future telecommunication attachments standards might be formulated so as to reduce the complexity, cost and burden of approval evaluation, the Director General concluded an agreement with the British Standards Institution (BSI). Under this agreement, the BSI, on the Director General's behalf, has set up and is servicing a committee to review the guidance originally given to the BSI for the drafting of telecommunication attachment standards. Major General Birtwistle CB CBE has been appointed as Chairman of the committee, which met for the first time on 27 July 1985, and held six meetings during the year. The committee presented an interim report to the Director General on 25 November 1985 suggesting certain amendments to the original guidance given to the BSI by the Secretary of State, and proposing corresponding changes to existing standards. The committee expected its work to continue until mid-1986, and the Director General will not form a view on its proposals until he has received and considered its final report.

4.19. Meanwhile, OFTEL has participated in the regular standards drafting programme through the relevant BSI technical committees. OFTEL has also acted for DTI in preparing and updating, in conjunction with BABT, BT and the industry, temporary technical requirements which have been produced so as to enable certain apparatus for which no British Standard has yet been designated under section 22 of the Act to be approved for connection to public telecommunication systems.

4.20. OFTEL has continued to advise the Secretary of State on questions relating to international standards and the mutual acceptance by various countries of test results.

4.21. Two standards were designated by the Secretary of State, under section 22 of the Act. In both cases the designations were made on OFTEL's advice.

The designations issued are:

| | | |
|------------|---|------------|
| 84/002S/R1 | Designation of Standard to update safety requirements for apparatus for connection to certain telecommunication systems. (This withdraws 82/002S.) | 1 Feb 1985 |
| 84/003S/R2 | Designation of Standard to update general requirements for apparatus for connection to certain telecommunication systems. (This withdraws 82/003S/R1.) | 1 Feb 1985 |

General

4.22. OFTEL has kept the approvals processes under close observation, especially in view of industry's concern throughout 1985 about delays and costs. In 1984 the Secretary of State had sought the Director General's advice as to what, if any, changes could be made to the BABT organisation and procedures. As part of OFTEL's review, Arthur Andersen & Co was commissioned to examine and report on a future strategy for BABT. Their report was received in April 1985 and OFTEL has supported the Board's acceptance of many of the recommendations, some of which—for example a move to larger premises, complete separation from the Board's parent body (the British Electrotechnical Approvals Board) and recruitment of more staff—have already been implemented.

4.23. OFTEL also welcomed the decision in 1985 by Hull City Council to establish a laboratory from which BABT can commission regulatory testing. This, too, should help reduce delays since pressure will be eased on the laboratory resources of BSI and BT to which BABT has so far been confined. However further improvement is desirable, although in some cases delays are increased because suppliers submit incomplete or faulty information, or samples provided for testing are defective.

The Telecommunication Apparatus Marking and Advertising Orders

4.24. During 1985 OFTEL has monitored manufacturers', advertisers' and suppliers' compliance with the Marking and Advertising Orders. Failure to comply with the Orders is giving rise to concern in some areas, notably in the case of small modems aimed at consumer markets. OFTEL is also aware of the problems of overseas advertisers' advertisements in UK published journals with an international circulation. Five new Orders were made by the Secretary of State in 1985 replacing, and in several particulars modifying, those which came into force in 1982. These changes have given rise to enquiries from suppliers, manufacturers and advertisers. OFTEL responds to these with information on the effect of the Orders. An explanatory brochure has been produced and is available free of charge from OFTEL.

Adaptations for visually handicapped operators

4.25. The PBX approval scheme announced by the DTI in 1984 specified that PBXs submitted for testing and evaluation should be capable of adaptation for use by visually handicapped operators within a maximum of two years of gaining full approval. DTI has introduced a scheme under which the manufacturers concerned can apply for

financial assistance towards the cost of developing such adaptations. OFTEL has held consultations with BABT, DTI, the Royal National Institute for the Blind and the Association of Visually Handicapped Telephonists to ensure that mutually agreed criteria, against which adapted PBXs can be evaluated, are met in each case without prejudicing the normal telephony and safety requirements.

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

4.26. The WGHI was originally set up in late 1983 to assist and advise the Secretary of State and consists of experts familiar with telecommunications manufacturing and research and the needs of hearing impaired people. Although OFTEL does not yet have formal responsibility for approvals and standards, responsibility for the WGHI was transferred to OFTEL in September 1985. Some non-technical aspects of the Group's work are carried out in conjunction with the Advisory Committee on Telecommunications for Disabled and Elderly People (DIEL).

4.27. The Group's Code of Practice for the magnetic coupling of telephones to hearing aids was published by OFTEL in late 1985. This is a key example of the Group's function in ensuring that the needs of the hearing impaired are taken fully into account within the liberalised regime. The Group brings together information on standards, methods of measurement and characteristics of telephone connections, together with recommendations on packaging, labelling and user instructions.

SECTION FIVE

Consumer affairs

5.1. 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 the monitoring of quality of service.

Codes of Practice

Code of Practice for Consumer Affairs

5.2. Each PTO is required by its licence to publish a Consumer Code of Practice for Consumer Affairs, which will set out clearly consumers' rights and the sort of service they may expect. Following the publication of BT's Code in 1984, Hull submitted its Code to OFTEL in early 1985 and it was published shortly afterwards. As MCL did not provide switched voice telephony services during 1985 it was not required to publish a Code.

5.3. Discussions on BT's Code of Practice for Radiophone and Radiopaging Services had not been concluded at the end of 1985, and were continuing.

5.4. Reference has been made in Section 3.10 to the Codes of Practice which Vodafone and Cellnet are required to produce.

Confidentiality of Customer Information

5.5. After protracted negotiations BT and OFTEL agreed on the text of BT's Code on Confidentiality of Customer Information as required by Condition 38 of the BT licence. The Code, which was circulated to BT employees in an internal publication, regulates the disclosure of information about a customer. Its purpose is to prevent BT gaining an unfair commercial advantage over its competitors because staff working in the main telephone business have access to information about customers which might create selling opportunities for BT's apparatus supply business. The Director General wrote a message on the importance of the Code to BT employees, and this was published in the same internal publication.

5.6. Discussions began during the year on similar Codes for other PTOs.

Arbitration arrangements

5.7. Discussions continued with BT, Hull and the Chartered Institute of Arbitrators on a revised set of Rules for arbitration in disputes over sums of up to £1,000 in which no complicated issue of law is involved. These were virtually complete at the end of 1985 and the revised Rules are expected to be in operation early in 1986.

Telecommunications Code

5.8. The Telecommunications Code at Schedule 2 of the Act governs the rights and obligations of PTOs over the siting of their apparatus on public and private land. The exercise by PTOs of their rights under this Code has continued to give rise to concern among people who have been affected by the installation of apparatus. OFTEL has maintained its monitoring of the exercise of Code powers and has provided advice to complainants who have felt that the use of the powers has been to their disadvantage.

5.9. BT completed the process of securing the Director General's approval of the form of the Notices it is required to use in the exercise of its Code powers. Hull submitted its draft Notices of approval. MCL, Racal Vodafone and Broadband Ventures Ltd secured approval of those of their Notices which their operations currently required.

Complaints about telecommunication services

5.10. The principal areas of concern to domestic and small business users of telecommunications services and apparatus are reflected in the representations to OFTEL and the four national ACTs. There has been a marked increase over 1984 in the number of complaints against PTOs and other suppliers of service and apparatus (see Appendix 2 which includes both written and oral complaints and enquiries). However it is likely that much of the increase is due to greater awareness by the public both of telecommunication services and of OFTEL. Disputed telephone accounts and other charges, and quality of service, remain the main sources of dissatisfaction. OFTEL is monitoring these areas carefully in the light of the Director General's publicly stated commitment to take action if he concludes that there is evidence of an abuse of a monopoly position.

Public call box services (PCBs)

Reliability

5.11. The terms of BT's licence lay down that it must provide a public telephone service to meet all reasonable demands. OFTEL receives a number of complaints about public call boxes (PCBs). Preliminary

investigations have shown cause for concern. A survey commissioned by OFTEL and carried out in June by NOP found that 77 per cent of people said they seldom or never used PCBs, while a further 9 per cent said they used one only about once a month. Among those who used a PCB more than once a month, 53 per cent in urban areas and 32 per cent in rural areas said they had difficulty in finding a PCB that could be used the last time they tried. Those who found difficulty in using a PCB were asked the reason. Vandalism was the largest single factor—56 per cent named this as the perceived cause in urban areas and 34 per cent in rural areas.

Modernisation

5.12. The planned programme of modernisation of call boxes, and the installation of phonecard boxes in those areas most affected by vandalism should lead to an improvement in the situation, as theft is one of the usual causes of damage.

5.13. Public reactions to phonecards has, however, been somewhat mixed, due to difficulties experienced in finding shops where phonecards may be purchased, and because of the expense of paying for a block of telephone calls in advance. The installation of this kind of PCB needs to take account of location and the wishes of the community and OFTEL will continue to monitor this development.

5.14. There are other aspects of PCB service which need to be monitored, in particular the routine response time to faults and to full coin boxes. This can give rise to considerable dislocation of service.

Quality of service

5.15. A lowering of the quality of service provided by PTOs could effectively produce a concealed price increase which could at the same time lead to a general deterioration in the performance of the network. OFTEL intends to establish a series of indicators which will be tested annually in order to establish whether the level of service is being maintained. The Director General announced that he would in the New Year publish a consultative document on quality of service, and would follow it with a survey of BT's domestic telephone service and PCB network in 1986 in order to establish the indicators. A pilot study was carried out in December by volunteers from five Telecommunications Advisory Committees (TACS—See 5.21) to test the arrangements for the main survey.

5.16. In order to be better able to gauge the difficulty experienced by consumers a number of surveys and studies were carried out during the year. NOP inserted questions on telecommunications in three of its

'Omnibus' surveys which obtain responses from a representative sample of 2,000 people. The one on PCBs is mentioned at 5.11 above.

5.17. Questions asked by NOP, in August 1985, on telephone installations showed that 82 per cent of those questioned had access to a telephone in their place of residence and that 6 per cent of these had a line installed in the last year. Of these new customers 67 per cent said that they waited less than a month for installation, and a further 23 per cent less than three months, 6 per cent said that they waited more than three months (4 per cent did not know). Eighty-nine per cent said the telephone engineers came when they said they would, and 92 per cent were satisfied with the work. Only 3 per cent of subscribers now have a shared line, and in nearly half of these cases it is by choice. The broad picture seems to be one of satisfaction with service in this area.

5.18. Heads of households and housewives were asked about bills. Eighty-three per cent said that they were usually satisfied that their bills reflected their usage of their phones. Of those who were not satisfied, about one in four had actually queried a bill with BT in the last year. Half of these were satisfied with the way the query was handled, and about 40 per cent were satisfied with the outcome. None of the respondents went to arbitration or court over the queried bill. This indicates that some 2 or 3 per cent of customers queried their bill and remained unsatisfied.

5.19. Further questions elicited that 31 per cent of the August sample had converted to plug and socket connections but that only 6 per cent of these were using non-BT telephones. Seventeen per cent of all respondents had a personal computer in the household. Further surveys are in the process of preparation.

Studies by consultants

5.20. OFTEL sponsored two more detailed surveys which were in progress during the year. One was a study of telecommunications in Mid-Wales (see Report of Wales ACT). This survey was conducted by Clemdale Associates Ltd. The other was a study of the telecommunications needs of the Highlands and Islands (see Report of the Scottish ACT). It was commissioned jointly by the Highlands and Islands Development Board and OFTEL; and it was conducted by EOSYS Ltd. Reports on these surveys are expected early in 1986.

Liaison with Local Advisory Committees

5.21. During the course of 1985 the Secretary of State granted recognition under section 27 of the Act to 164 TACs representing the interests of telecommunications users. OFTEL has established links with these Committees, principally through a newsletter called

'Newslines' and will seek to build on these links. The Committees are seen both as a valuable source of local opinion and a means whereby telecommunications issues can be given wide publicity. They are being asked to take part in various quality of service surveys, and to send their views on particular issues to OFTEL.

5.22. OFTEL officials attended a number of regional meetings of Chairmen of these Committees during the year, and regard these as a valuable way of obtaining direct contact with 'grass roots' opinion.

SECTION SIX

Information and publicity

Statutory registers

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

- (a) all licences issued under the Act, along with details of any modifications, revocations, orders, consents or determinations relating to them;
- (b) all contractors approved under the Act for the maintenance of apparatus (mainly call routing apparatus), along with details of every variation or withdrawal of such approval;
- (c) all approvals of apparatus and designations of standards under the Act, along with any variations or withdrawals relating to them.

6.2. At the end of 1985 the register of licences numbered 93, including the single licence issued in 1984 to cover the activities of 53 Water Authorities and Companies. Lists of 1985 additions to the register of licences are at Appendices 3 and 4.

6.3. The approved contractors register consists of particulars of contractors approved by the Secretary of State since 5 August 1984. Of these, 146 were approved in 1985, including 62 since 1 April 1985 when OFTEL took over responsibility from DTI for providing advice on such approvals to the Secretary of State.

6.4. The approved apparatus register includes documentation on individual items of apparatus approved by the Secretary of State since 5 August 1984 and supplied to OFTEL by the two evaluation authorities, BT and the independent BABT to whom evaluation responsibility is being progressively transferred. Also included are particulars of apparatus approvals issued under the British Telecommunications Act 1981 prior to 5 August 1984. At the end of 1985 the register totalled 5,307 approvals of which 3,251 were issued prior to 5 August 1984 and 1,584 issued during the calendar year 1985. One hundred and forty-four of the approvals issued in 1985 were site specific.

6.5. During 1985 key particulars of apparatus approvals and contractor approvals have been entered on computer to facilitate the handling of public enquiries. All registers are available for public inspection at OFTEL's offices between 10 am and 4 pm on normal working days.

Press and broadcasting

6.6. In continuing his policy of keeping the telecommunications industry and the general public informed of his policies and intentions the Director General has taken advantage of many opportunities to broadcast on national, regional and commercial radio stations. These broadcasts included the Radio 4's 'Today' (twice), 'You and Yours' and the 'Jimmy Young Show' and an hour-long phone-in programme for LBC radio. In addition the Deputy Director General appeared on the Granada Television consumer programme 'This is Your Right'.

6.7. The Director General has given numerous interviews to the national, regional and technical press. Thirty press releases were issued in 1985 and these, together with the Director General's interviews ensured a regular, and in most cases favourable, coverage of OFTEL's work and policies.

Publications

6.8. OFTEL has now produced 16 publications covering almost every aspect of its work. These publications range from periodic technical advice notes to information on OFTEL's Advisory Committee on Telecommunications for Disabled and Elderly people and advice on wiring in businesses and homes. A quarterly newsletter 'OFTEL News' has been launched to replace DTI's 'Ringing the Changes'. 'OFTEL News' is designed to keep the telecommunications industry abreast of events and changes in regulatory regime. It is distributed, like other OFTEL publications to a mailing list of over 12,000. A special bulletin 'Newslines' is sent regularly to local Telecommunications Advisory Committees to keep them abreast of developments. Appendix 5 lists the publications produced by OFTEL during 1985.

6.9. A number of special 'Statements' and 'Advice' documents were published by the Director General during 1985:

- | | |
|--------|---|
| April | — Advice to the Secretary of State on the allocation of radio frequencies in Bands I and III for private mobile radio purposes. |
| May | — Advice to the Secretary of State: Wide Area Radiopaging. |
| July | — British Telecom's Procurement of Digital Exchanges. |
| August | — Report on Investigation of Complaints about Alleged Unfair Competition in Radiopaging. |

November — Determination of terms and conditions for the purposes of an agreement on the interconnection of the British Telecommunications Telephone System and the Mercury Communications Ltd System under Condition 13 of the Licence granted to British Telecommunications under section 7 of the Telecommunications Act 1984.

December — British Telecom's price increases—November 1985.

Exhibitions

6.10. OFTEL continued its participation in the DTI sponsored Telecoms Tour, visiting Cambridge, Brighton and Manchester. In April OFTEL exhibited at 'Communications 85' at Earls Court and during May at the 'Business Telecoms Exhibition' at the Barbican. OFTEL was present for the first time at the Telephone Manufacturers Annual Conference in Brighton in October. OFTEL also had a stand at the 'Fair's Fayre' Consumer Exhibition at Coventry in August, October's Annual General Meeting of the National Association of Citizens' Advice Bureaux in York, and the South Yorkshire County Council's Consumer Week Exhibition, held in Sheffield in November.

OFTEL Library

6.11. The Library's prime function is to provide a bibliographical reference and information service to OFTEL staff. However it is also open to the public for reference purposes when material is not easily available elsewhere. The Library staff are always willing to offer advice on sources of information and have produced several bibliographies plus a regularly updated list of OFTEL publications. The Library acts as a sales point for priced items and houses the Public Register.

6.12. During 1985 over 3,500 enquiries and 550 visitors were received and 3,583 publications were sold. During 1986 it is hoped to produce a guide to the services of the Library and Public Register.

SECTION SEVEN

Technical activities

7.1. Since the appointment of the Technical Director at the beginning of 1985, his activities have been directed principally at provision of support and technical advice within OFTEL. Many cases originating as complaints by members of the public have been referred for such advice, and as a consequence a body of technical material on which the non-technical case officers can draw has developed and is constantly growing.

7.2. A major feature of the year's work has been the technical contributions made to the BT/MCL Interconnect Determination, both to the body of the Determination and in Annex 2 thereto, which describes the principles to be followed by BT and Mercury in developing their Agreement on technical and operational matters required for interconnection of their systems.

7.3. As foreshadowed in the previous Report, a salient topic which has received much study during 1985 is that of numbering and addressing in telecommunications networks. A good deal of preparatory work has been undertaken, paving the way for more specific formal studies during 1986 of some of the emerging constituent issues. The on-going part-time services of an expert consultant have been retained to help in this work.

7.4. Progress has been made towards building up the Technical Directorate, which is planned to consist of a small number of key expert personnel forming a strong nucleus. A senior member of this nucleus, heading the Standards Section, took up his appointment in October 1985 and is already deeply involved in the formal work of several BSI committees in the fields of telecommunications approval standards and in Open Systems Interconnection (OSI), as well as in the Eden Technical Working Group which develops telecommunications-related standards for application in the 'Cable Systems' environment. It is expected that further suitable individuals to complete this nucleus will join OFTEL early in 1986.

SECTION EIGHT

Reports of Advisory Committees

8.1. Under section 54(1) of the Act the Secretary of State was required, as soon as practicable, to establish advisory bodies for telecommunications matters affecting England, Scotland, Wales and Northern Ireland respectively. Those for Scotland, Wales and Northern Ireland were set up on 31 August 1984 and that for England in the Autumn of 1985.

8.2. The Director General was also required under section 54(4) to establish as soon as practicable advisory bodies for telecommunications matters affecting small businesses, and for telecommunications matters affecting persons who are disabled or of pensionable age. These two committees were set up in February and October, respectively.

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

Report of the English Advisory Committee on Telecommunications for the year ending 31 December 1985

Introduction

8.4. The English Advisory Committee on Telecommunications (ENACT), appointed by the Secretary of State for Trade and Industry under section 54 of the Telecommunications Act 1984, was not able to hold more than one meeting during the period of this report, since it came into being only during the latter part of the year.

8.5. The Committee's main objective is to advise the Director General of OFTEL and the Government on major matters of national telecommunications policy, having a particular regard to the interests of users of all parts of the telecommunications industry. Within this broad remit ENACT will expect to be consulted, and if need be will offer advice, about any matters affecting the services available to the industry, commerce or domestic subscribers. Details of the members of the Committee are given at the end of this report.

Complaints

8.6. OFTEL has a number of staff engaged in dealing with complaints received about the telecommunications services and apparatus: this they have been doing satisfactorily since OFTEL was established in August 1984. OFTEL also provides the secretariat for ENACT. The Committee has decided therefore that there is no reason to alter these arrangements so long as they continue to function well. Nevertheless the Committee will want to keep itself informed of the overall pattern and volume of complaints and it will if necessary make representations to the Director General and the industry on any major issues of concern which may arise. Summary details of complaints received by OFTEL and ENACT during the period covered by this report are given in Appendix 2 on Page 80.

Local Telecommunications Advisory Committees

8.7. ENACT recognises the value of Telecommunications Advisory Committees both as a source of help to local people in resolving their complaints and problems with telecommunications operators and also as a source of advice and comment from grass roots level to ENACT and OFTEL. However, ENACT is concerned that many parts of England are poorly or totally unrepresented by such local committees. The Committee is anxious to see that the interests of telecommunications users in all parts of England are properly represented and promoted through local committees. By this means the Committee can itself improve its own awareness and knowledge of those matters which really concern

users at local level. To this end ENACT has decided that one of its first priorities should be to seek ways and means to improve the comprehensiveness of the network of local committees in England and also to improve public awareness of their existence.

Chairman and Members of the Committee

Chairman

Mr R Hutton, Director General of Accepting Houses Committee, Issuing Houses Association, Director ARIEL Exchange Ltd, Associated Book Publishers plc, Member, London Board Northern Rock Building Society.

Members

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

Cllr Mrs J Fergus, Senior Field Controller, Social and Community Planning Research, Member Post Office Users' National Council, Darlington.

Cllr J D Green, Councillor Winchester City, Chairman Southampton and South West Region PATACs.

Mr M J Lacey, Managing Director, United Towing Ltd, Hull.

The Countess of Mar, former Post Office and British Telecom employee.

Mr D O Michel OBE, Managing Director, G L Michel and Sons Ltd, Leather Merchants, Chairman Midland Region PATAC, former Member Post Office Users' Council, former President, Northamptonshire Chamber of Commerce and Industry.

Mr D R Oram, Group Purchasing Manager Metropole Hotels Ltd, Chairman, Membership Services Committee, British Hotels, Restaurants and Caterers Association, formerly member Post Office Users' National Council.

Mr A C Squires, Telecommunications Manager, Rank Organisation, Member, Telecommunications Managers Association.

Mrs M L Taylor, Secretary, Southend and District Consumer Group, former President now Vice-President, National Federation of Consumer Groups, Chairman Southend and Eastern Region PATACs.

Report of the Scottish Advisory Committee on Telecommunications for year ending 31 December 1985

Introduction

8.8. During the year the Committee responded to matters referred to it by the Director General and continued to deal with representations and complaints received from consumers. The Chairman attended a meeting with the Director General and Chairmen of the English, Northern Ireland, Welsh, Disabled and Elderly People and Small Businesses Advisory Committees. Mrs Pamela Stewart retired from the Committee in May 1985. A list of members as at 31 December 1985 is at end of this report.

Referrals by Director General

(a) Quality of Service—Consultative Document

8.9. The Committee considered and commented on a draft consultative document on quality of service prepared by OFTEL aimed at domestic and small business customers. This outlined both OFTEL's and Advisory Committees' roles in dealing with complaints and possible performance indicators which could be used in measuring the efficiency of the telephone service.

(b) BT Licence—Condition 23

8.10. Under the terms of Condition 23 of the British Telecommunications licence, BT is obliged to publish a statement of its procedures for consulting and giving advance notice to certain persons likely to be affected by any proposals for changes to the telecommunication systems. Having considered the draft the Committee was concerned that customers could find themselves in a difficult position in relation to their contract with BT if, as proposed, BT aimed to give customers only 'at least 30 days' notice in writing' of any alterations to the telecommunication systems.

(c) BT Contracts

8.11. The standard contracts between BT and its customers are extremely complex and have been the subject of public criticism. Simplified versions of the main conditions of contract covering telephone service, telephone service from call offices, telephone credit card service and hiring equipment were considered and with minor comments approved by the Committee.

Telecommunications study

8.12. The Highlands and Islands Development Board commissioned EOSYS Ltd, a firm of consultants specialising in telecommunications, to

carry out a study in their area, the purpose of the study being to provide the basis on which the Board could determine a policy for securing a telecommunications infrastructure for the 21st century which would be appropriate to the needs of the area. An Advisory Group with representatives from this Committee, the Scottish Development Agency, Regional and District Councils, Welsh Development Commission, English Development Commission and other interested parties was set up and has discussed the full range of communication facilities likely to become available with the purpose of ensuring that the Highlands and Islands will not be disadvantaged by future developments. This report is now in the process of being drawn up by the consultants and would be discussed at a future meeting of the Advisory Group.

Cheap rate tariffs on public holidays

8.13. Customers in England and Wales enjoy cheap rate tariffs on Bank Holidays plus one additional day at Christmas. Apart from Christmas Day, Boxing Day and New Year's Day, Bank Holidays are not always observed universally throughout Scotland and local holidays are celebrated by different towns and districts on different days. The Committee therefore suggested to BT that the cheap rate be allowed on five additional days over the Christmas and New Year period. In putting forward this suggestion the Committee had regard to the fact that each year the number of businesses in Scotland linking the two holidays is increasing and the loss of income to BT by accepting this suggestion might well be less than observing the Bank Holidays which very few businesses other than banks and insurance companies observe. The suggestion was accepted and the cheap rate concession applied in Scotland from 6 pm on Monday 23 December 1985 until 8 am on Monday 6 January 1986.

Public payphones

8.14. Vandalism continues to be a major problem especially in large towns and cities. Throughout the Glasgow Telephone Area there was an unprecedented spate of costly incidents and theft of cash containers and approximately 700 public payphones were affected. We have been advised by BT that they have been pressing ahead with measures to combat the problem and an increasing number of mechanisms have been replaced by modern, more vandal resistant equipment including the cardphone which being cashless avoids the problem of attack by thieves. Plans were also announced during the year for a programme of kiosk replacement which is now starting in Scotland. The new kiosks are designed to be less prone to malicious damage and incorporate better lighting as a deterrent to the would-be vandal. Hopefully these measures will result in an improvement in the situation.

Complaints

8.15. The number of complaints received in 1985 continued at about the same level as for the five months of the Committee's existence in 1984. We are, however, concerned that persons with a genuine complaint may be discouraged from pursuing the matter as reference on the reverse of telephone accounts is to OFTEL and not to the country Advisory Committee or the Code of Practice. It is to be regretted that after 17 months agreement has still to be reached on a form of words which would point customers to their appropriate country Committee.

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

- (a) Telephone service can be a lifeline to the elderly or disabled and BT has a wide range of equipment to assist handicapped persons overcome their difficulties. To know that there are such aids but to learn that they are in short supply and it might be up to three months before the item can be delivered can cause extreme frustration to a person greatly dependent on the phone. Such was the case of a local councillor discharged from hospital suffering from cancer of the throat and unable to make use of the phone without a speech amplifier. Following an approach to the General Manager the necessary equipment was obtained and installed within 10 days and we understand that representations have been made to BT Headquarters to try and speed up the delivery of these items which are so useful to someone with a disability.
- (b) Several complaints were received regarding BT's policy of charging customers for repairing damage to subscribers' equipment caused by lightning striking external cables resulting in a charge of electricity passing through the network into customers' premises. BT maintain that this has always been their policy and that before and since privatisation normal maintenance and repair covered fair wear and tear but not damage whether caused by the customer or *force majeure*. If this is the case then it must be the exception rather than the rule as neither this Committee nor the Post Office Users' Council who previously were responsible for looking after the interests of BT's customers can ever recall receiving a complaint of a similar nature. If BT has changed its policy since becoming privatised we consider that customers should have been notified. We feel it is unreasonable for BT to totally exclude

itself from any liability for lightning damage to customers' equipment beyond the termination of the point of the system except where it is the customers' own property which has been struck by lightning. The matter has been referred to OFTEL who are pursuing it with BT Headquarters and at the time of writing a final decision is awaited.

8.17. A summary of representations and complaints is below.

Posts and Telecommunication Advisory Committees (TACs)

8.18. These committees are voluntary bodies set up originally to convey to the Post Office and BT local opinion, which is often helpful in the adjustment of local needs. During the year all eight committees in Scotland were granted formal recognition under the terms of section 27 of the Telecommunications Act 1984 as representing the interests of consumers, purchasers and other users of telecommunications services. In addition to dealing with local complaints it is intended that these committees will become involved in quality of service exercises and the Committee for the Central Region undertook to take part in the pilot study on domestic telephones and public call boxes. In Scotland advisory committees are located in Aberdeen, Argyll, Central Region, Dumbarton, Dundee, Edinburgh, Glasgow and Newton Stewart.

**Representations about PTO services received by the
Scottish Advisory Committee on Telecommunications
for the period 1 January 1985 to 31 December 1985**

| | |
|------------------------------|------------|
| Accounts | 386 |
| Provision of Service | 139 |
| Quality of Service | 161 |
| Charges | 126 |
| Deposits | 69 |
| Directory Services | 17 |
| Payphones | 23 |
| Other Matters | 14 |
| TOTAL | <u>935</u> |

Chairman and Members of the Committee

Chairman

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

Members

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

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

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

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

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

Mrs I E McGowran, Member, Post Office Users' Council for Scotland; Chairman, Central Region Posts and Telecommunications Advisory Committee; 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.

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

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

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

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

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

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

Report of the Wales Advisory Committee on Telecommunications for the year ending 31 December 1985

Meetings

8.19. The Wales ACT held four meetings during the year, at the first of which Mr Norman Smith, retiring Chief Executive, BT Wales, outlined changes which have resulted in Wales being split into two districts; one covering South Wales; the other North Wales (and the Marches). The Committee regrets the absence of a central authority to which matters affecting the whole of Wales can be directed.

8.20. At the Joint Conference held in September 1985 of the Post Office Users' Council, the Wales Advisory Committee on Telecommunications, and 18 Posts and Telecommunications Advisory Committees (this included Hereford and Telford TACs), one of the main speakers was Mr Iain Vallance, now Chief of Operations, BT. In an informative illustrated talk, Mr Vallance emphasised BT's Commitment to investment in Wales.

Study on telecommunications in Mid-Wales

8.21. In order to assess the role of telecommunications in the social, business and industrial life of rural Wales, OFTEL, following an initiative by the Wales ACT, commissioned a study of telecommunications in Mid-Wales. This study has been a major preoccupation of the Committee during the year. The Consultants, Clemdale Associates, commenced their work in June 1985 and have made regular progress reports to the Committee. Their report is expected early in 1986.

Public call boxes

8.22. At the end of 1985 there were approximately 3,305 public call boxes in the South Wales District and 1,909 in the North Wales District. The Committee welcomes BT's continuing commitment to the public call box network as evidenced by its proposed investment of £160 million throughout the UK. In Wales, during 1985, only four kiosks were withdrawn. Wayleave was withdrawn in respect of two kiosks, the third kiosk was withdrawn because of vandalism and the fourth because of low receipts—less than £10 per annum. In all cases receipts were well below £185 per annum and normal local consultations took place.

8.23. In an attempt to prevent theft from boxes, and therefore reduce vandalism, BT are replacing some payphones with cardphones. Early indications are that cardphones are less likely to be damaged. In Wales there are 120 cardphones and BT intend having a 30 per cent

penetration within a year. They will be located at sites which attract theft and vandalism. It is to be hoped that BT will introduce cardphones gradually, and after extensive publicity, thus enabling the public to become accustomed to the need for a card and not cash. The Committee, through the network of TACs in Wales, will be interested to gauge public reaction to the new services.

8.24. Many complaints are received by the Committee via OFTEL. To enable complaints to be dealt with promptly, it is hoped that the address of the Wales Advisory Committee will, in future, be included on the back of telephone bills sent to Welsh customers.

8.25. Most complaints are made by the domestic consumer, and most of these relate to telephone bills. BT take seriously every representation made by the Committee and investigate thoroughly. Where metering or network faults are found BT submit amended bills.

8.26. The cases which continue to cause concern are those where, despite the most thorough of investigations, no faults are found. Where the discrepancy between current use and past use is large BT occasionally make a goodwill reduction and, if the discrepancy is exceptionally large, BT will normally re-assess bills on past usage. These are few in number, but it does lead to the conclusion that transient faults do occur which, although not discovered by detailed investigation, result in overmetering. It is evident that there is much unease amongst BT customers about the accuracy of their bills. Their disquiet can only be removed by the introduction of itemised billing.

Charges

8.27. Many of the complaints received refer not only to mistakes in billing, but to the high charge of calls. There is a widespread feeling in Wales that the recent price increases, especially those for the domestic customer, are not justified in view of the profits made by BT.

Developments

8.28. The Committee welcomes new developments which are taking place in Wales. These include a computerised Directory Enquiry Service, Cellnet, Racal Vodafone, Repair Service Centres, digital exchanges, modernisation of the telephone network and an increasing range of new equipment. There is, however, evidence that both business and domestic users are unaware of the benefits that these developments can bring and the Committee hopes that BT's practice of holding exhibitions in various parts of Wales can be greatly extended in view of the absence of phone shops in most parts of Wales.

8.29. Whilst recognising that these advances in telecommunications, together with the stimulus of competition, may in the long term benefit all users, it is one of the greatest concerns of the Committee that Wales, where BT continues to have a monopoly, will not be placed at a disadvantage in comparison with those areas where BT faces competition.

Quality of service

8.30. Since becoming a public limited company BT has declined to provide quality of service statistics. If the Committee, and TACs are to be effective in monitoring BT's performance, information about quality of performance is necessary. The Committee thus welcomes OFTEL's decision to carry out its own quality of service surveys.

**Representations about PTO services received by the Wales
Advisory Committee on Telecommunications for the period
1 January to 31 December 1985**

| | | |
|--|---|-----|
| Accounts | | 163 |
| Provision of Service | | 8 |
| Shared Lines | | 8 |
| Reception | } | 3 |
| Maintenance | | 33 |
| Quality of Service | | |
| Directory Services | | 7 |
| Administration (attitudes to customers, reminders) | | 17 |
| Charges | | 29 |
| Other (Telemessage, Prestel, Advertising) | | 49 |
| TOTAL | | 317 |

Chairman and Members of The Committee

Chairman

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

Members

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

Mr B W Butcher, Member, South Glamorgan Area Health Authority. (Up to June 1985.)

Mr D P L Davies, FCA.

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

Mr G S Hall, Company Director, Chairman Cardiff PATAC.

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

Mrs D A Hughes, Controller Opinion Research: associate member Cardiff Community Relations. (Up to November 1985.)

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

Mrs I Price Jones JP, Member, Wales Gas Consumers' Council.

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

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

Mr M L Thomas, MA (Oxon) Solicitor, Clerk to the Neath Harbour Commissioners, Member of Wales Gas Consumers' Council.

Mrs B Williams, Farmer; Member, Advisory Committee Royal Welsh Agricultural Society. (Up to November 1985.)

Mrs D Willis, Teacher.

Secretariat

Mr R Richards, Secretary—Retired 31 March 1985.

Mr B Lewis, Secretary from 1 April 1985.

Mrs G M Rich, Assistant Secretary.

Membership at the end of the year was 11 but it is to be hoped that this number will soon be brought up to its normal complement of 14. Mr B Butcher, Mrs D A Hughes and Mrs B Williams resigned during the year. The Committee wishes to thank them for their contributions to its work and sends them its good wishes.

Report of the Northern Ireland Advisory Committee on Telecommunications for the year ending 31 December 1985

Introduction

8.31. The Committee met on five occasions and the Chairman was pleased to welcome Professor Bryan Carsberg, Director General of Telecommunications to the January meeting of the Committee and Mrs Joan Percy-Davis, Head of Consumer Affairs, OFTEL to the December meeting.

8.32. The Chairman wishes to express his thanks to Mr Archdale, Mr Bamford, Mr Ferris and Mrs Tomlin, each of whom completed their periods of appointment during the year, for the valuable contributions which they made to the work of the Committee and previously to the Post Office Users' Council for Northern Ireland.

8.33. Mrs M Jefferson, Londonderry, was welcomed as a new member. A list of members is annexed.

Work of Committee

8.34. Professor Carsberg, in addressing the January meeting, said that all aspects of telecommunications services and apparatus in Northern Ireland fell within the purview of the Committee and he hoped that members would feel free to investigate, advise and comment on any matters which gave rise to concern.

8.35. He invited the Committee to pay particular heed to the quality of telecommunications services in the Province especially those for elderly and disabled people, small businesses and rural communities. OFTEL planned to establish regular monitoring of the quality of telecommunication services including public call offices in all parts of the country. This monitoring would entail the co-operation of local voluntary advisory committees (TACs) and he hoped that once these plans were ready members of the Committee would be able to assist OFTEL in establishing suitable monitoring arrangements in Northern Ireland.

8.36. Amongst the issues considered by the Committee at its meetings was the future role of local TACs in the Province. It was felt that improvements were necessary to fill several gaps in the level of representation in some localities. However, no action was taken during the year pending advice from OFTEL on how it saw the future organisational structure of, and general relationships with, local voluntary committees being developed to meet the changing needs of telecommunications users.

8.37. The Committee was concerned that users of BT's PRESTEL service in Northern Ireland incurred higher call charge rates than those elsewhere. BT advised the Committee though that operational changes due to take place early in 1986 would remove this disparity in charges for access to PRESTEL for Northern Ireland.

8.38. Clarification was also given following complaints on tariffs for international calls. The main difficulty here was that consumers in many instances assumed incorrectly that the cheap rate started at 6 pm.

8.39. The Committee asked for consideration to be given to improving the teletext used when congratulations are sent from The Queen. We were informed that this is a matter currently being looked into.

8.40. Planning also took place in organising a one day Seminar to be held early in 1986 to cover all aspects of postal and telecommunications services.

8.41. The Committee also considered Condition 23 of the British Telecom main licence and submitted its findings to OFTEL.

8.42. To enable the Committee to appreciate more fully the telecommunications field, a Teach-In has been arranged for January 1986 at BT's Training School.

Provision of service

8.43. The demand for telephone service was buoyant and increased by 5.7 per cent over the previous year.

8.44. Working exchange connections increased by 4.3 per cent to 445,840 at 31 December 1985. The waiting list was 176 at this date and a significant reduction in shared service connections was achieved during the year, viz 8,025 shared service connections at 31 December 1985 compared with 16,236 at 31 December 1984. BTNI aim to provide all customers with exclusive service by the end of 1986.

8.45. The speed of provision of service continued to improve: 87.1 per cent of all residential orders in December 1985 were completed in eight working days and 83.1 per cent of all business small orders were completed in six working days compared with 84.3 per cent and 82.8 per cent respectively in December 1984.

8.46. The mobile telephone service Cellnet was launched in Belfast in December 1985 and will be extended to cover all of Northern Ireland.

Public call office service

8.47. There were 1,547 telephone kiosks in Northern Ireland at 31 December 1985. During the year 46 were replaced with Oakham booths on the original or adjacent sites because of excessive vandalism. Eleven were not replaced due to site agreement being withdrawn. The total number of direct vandalism attacks on the telephone kiosks during the year was approximately 2,000. The cost of repairs was £250,000.

8.48. The modernisation of the public call box service continued throughout 1985 with the replacement of the Pay-on Answer mechanisms in several locations with microprocessor controlled payphones. The first new style kiosks were introduced in Belfast, Coleraine and Ballymena. They are brighter and cleaner than the old red boxes and incorporate many features specially designed for the disabled including being fully accessible by wheelchair users.

8.49. A new 'Watch the Box' campaign was introduced in November 1985. BTNI staff volunteered to 'adopt' a local telephone box and report any faults, vandalism or other damage to a special callbox 'Hotline'. More than 200 public call boxes are checked daily in the scheme. On one day chosen at random in the first month of the campaign 9 per cent of the boxes checked were out of order. In a similar random check in the second month 8 per cent were out of order. The campaign will continue for six months.

8.50. Although no kiosk recoveries requiring OFTEL agreement were carried out during 1985, concern was felt at the number of notifications which were received on the removal and replacement of kiosks. The Committee understands the problem of vandalism, nevertheless they feel that this is an area that requires continuing effort to gain improvement. It is to be hoped that the new kiosks will bring about an improvement.

Repair service

8.51. A new computerised Repair Service Centre was opened in Belfast and direct fault reporting introduced during the year. Fault reports from customers in the Greater Belfast area are received by specially trained Customer Service Officers who immediately test to establish the action to be taken and inform the customer. The modernised Repair Service Centre in Belfast is one of the largest in the UK.

8.52. Eight per cent of BTNI customers now have direct access to a Fault Repair Centre, 24 hours a day. Reports from the remainder are

received by Operators. Twenty-four hour direct fault reporting will be available to all customers by the end of 1986.

8.53. The number of fault reports reduced significantly during the first seven months of 1985. Severe storms during the year caused widespread damage and a threefold increase in fault reports. Extensive repairs were necessary. With the exception of these periods the speed of repair has consistently been above the target of 95 per cent of all faults cleared by the end of the next working day.

Operator service

8.54. Operator Service at Downpatrick and Magherafelt exchanges ceased in December as part of a rationalisation programme. Operator assisted calls from those areas are now handled at Belfast and Londonderry.

Directories

8.55. The first edition of the NI Phone Book was issued in March/April 1985. It is a comprehensive replacement for the old alphabetical directory. It is colourful, easier to use and contains much more information than before. It elicited many favourable comments from the public.

Complaints

8.56. A summary of written complaints received by the Committee during the year is given on page 74 and it is pleasing to report the considerable reduction in numbers from 1984.

8.57. A selection of complaints handled included:

- (1) A lady from East Antrim who had a disputed account and after investigation this was satisfactorily resolved. A letter of appreciation was received for the prompt and courteous manner in which BT handled the complaint.
- (2) A complaint from East Belfast about a shared line and the difficulties being experienced. The problem in resolving this was over a shortage of underground plant. There has now been a drastic reduction in the number of shared lines.
- (3) A complaint from a ferry terminal over provision of payphones and difficulties to travelling public. This complaint is still under consideration.
- (4) Concern over BT's advantage in having prior knowledge of new installations. The company raising this was satisfied with BT's assurance that such information was not available to a third party, be it another part of BT or a competitor.

8.58. In summary, we believe that the Committee and its work is now much better known and many of the requests we receive by telephone are normal enquiries which are referred in the normal way to BT.

8.59. Our relationship with BT in the Province is excellent and we have found that they deal in an efficient and professional manner when written complaints are passed to them. Delays only occur when detailed investigations or checks on equipment are necessary. We would like to thank Mr Alfie Kane, the Chief Executive of BT in Northern Ireland, and his staff for the help we received from them.

**Written representations about PTO services received by
the Northern Ireland Advisory Committee on Telecommunications
for the period 1 January 1985 to 31 December 1985**

| | |
|--|--|
| Accounts | 43 |
| Provision of Service | 10 |
| Charges | 17 |
| Quality of Service | 9 |
| Directory Services | 2 |
| Deposits and other billing matters | 5 |
| Public Services | 2 |
| Miscellaneous | 5 |
| Yellow Pages | 1 |
| Telex, Telemessage etc | 1 |
| TOTAL | <hr style="width: 100px; margin-left: auto; margin-right: 0;"/> 95 |

Chairman and Members of the Committee

Chairman

Mr J J Eccles JP— Sales Director A S Baird Ltd; Chairman Northern Ireland Lay Magistrates Association, Chairman Visiting Committee Young Offenders Centre Belfast, Member of the Fair Employment Agency, Commissioner on the Equal Opportunities Commission.

Members

*Mr M T Archdale DL, Chairman Omagh and District PATAC.

*Mr C Bamford, Fordland Cordage.

Mr W Clarke JP, Ulster Farmers' Union.

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

Mrs M E Donaghy AIMS, Member of POUNC, Acting Chairman Age Concern, N Ireland, Member of General Consumer Council.

*Mr R T Ferris DBS ATCL FBIM, Vice-Chairman of Central Services Agency, Member of Junior Chamber of Commerce.

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

Mrs M Jefferson MBE, Member of James Butcher Housing Association and local Government Staff Commissioner.

Mr G H James, Chartered Accountant and Retail Trader, Chairman of Rathfriland Traders & Residents Association.

Mr W Keown MBE JP, Disabled Advisory Commission.

Lady M Porter MD, NICOD Member.

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

Mr R G Toland JP, Company Director.

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

Secretariat

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

*Retired during the year.

Report of the Advisory Committee on Telecommunications for Disabled and Elderly People (DIEL) for the year ending 31 December 1985

8.60. The Committee was appointed in February 1985; its membership is annexed to this report. The inaugural meeting was held in April, and the Committee met twice subsequently, in July and October.

8.61. It is clear from the opinions expressed at each meeting that there are many areas in which it is felt that disabled and elderly people are disadvantaged as far as telecommunications are concerned. It is the view of the Committee that there is a danger of the needs of vulnerable sections of the community being disregarded in the face of commercial interests and convenience. It is the Committee's hope that the Director General will make the fullest use of his powers and position to ensure that telecommunications of the present and the future take full account of the needs of those who may otherwise be overlooked.

8.62. Particular areas of concern to the Committee are:

- (a) the financial effect of telephone standing charges on elderly and disabled people on low incomes—particular account is taken here of people who are confined totally or partially to the home and who rely heavily on the telephone for communication;
- (b) the rigidity of the disconnections policy of public telecommunications operators, in particular BT;
- (c) the effect on visually handicapped people, and others, if a charge were to be introduced for directory enquiry services; of particular concern here is the effect on the employment of visually handicapped people;
- (d) the financial effects of the imposition of VAT on products which though of general application, are of particular use to handicapped people;
- (e) the financial effect of telecommunications charges on the aurally handicapped who use the network for visual communication.

8.63. The Committee has identified these as its main priorities and will pursue each of them with the operators or with Government, as appropriate. In the case of the imposition of VAT, Customs and Excise has already indicated that it is precluded by law from affording any relief in the circumstances concerning this Committee and so we will seek the support of MPs in securing a change in the law.

Chairman and Members of the Committee

Chairman

Mr D Hobman Director, Age Concern England.

Members

Miss L Andrews, Physiotherapist working for Disabled Living Foundation.

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

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

Sir Eric Driver, Former Chairman, Mersey Regional Health Authority, active in Help the Aged.

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

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

Mrs M La Touche, Former National Chairman, current Development Chairman of British Association of Hard of Hearing.

Mr J Lidstone, Chairman, Association of Visually Handicapped Telephonists, Member, National Federation of the Blind.

Mr M Martin OBE, Head of Scientific and Technical Department, Royal National Institute for the Deaf.

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

Mrs D Rhodes, National Vice-President, National Federation of Old Age Pensioners Associations.

Mr J Ross, Group Director, welfare, legal counselling services at the Royal Society for Mentally Handicapped Children and Adults (MENCAP).

Miss A Spokes, Chairman, Age Concern England, former Chairman of Oxfordshire County Council, Lord Mayor of Oxford.

Advisory Committee on Telecommunications for Small Businesses: Annual Report 1985

8.64. The initial appointments to the Committee were made in October and these are shown below. The inaugural meeting was held in November.

8.65. The Committee's initial discussion focused on the lack of information available to small businesses about the options open to them in the liberalised telecommunications regime. The Committee commissioned the preparation of a general guidance booklet for use by small businesses which it is hoped will enable them to make the fullest use of the increasingly competitive telecommunications environment.

Chairman and Members of the Committee

Chairman

Mr H Kleeman CBE, Chairman of plastics fabricators Carville Ltd of Dorking, Surrey and several other small businesses in the plastics industry. Member of the CBI Council and the Small Firms Council representing the plastics industry. Past President, Plastics Federation.

Members

Mr P Agnew, Chartered Accountant, Chief Executive, Lanarkshire Industrial Field Executive (LIFE).

Mr R Blaxland, Corporate Finance Director, Quilter Goodison Company Ltd, London, Member, Small Firms Council of CBI.

Mr J Cunningham, Managing Director of Circuits, Systems Design Ltd, Lisburn, Co Antrim.

Mr L Seeney, OBE, Director General of National Chamber of Trade.

Mr G Thorpe, East Sussex multi-retail grocer, Chairman, Public Utilities Committee of National Federation of Self-Employed and Small Businesses.

Mr M Taylor, Managing Director, Eric R Taylor (Transportation) Ltd, Bow, London, Member, Road Haulage National Council.

Mr J White MBA, Chairman, White Group of electronics and security companies, London.

APPENDIX 1

**Representations about PTO licensing and related issues
for the period 1 January to 31 December 1985**

| | | | | | | | | | | |
|---|----|----|----|----|----|----|----|----|----|--------------|
| BRITISH TELECOM | | | | | | | | | | |
| Tariffs and charges | .. | .. | .. | .. | .. | .. | .. | .. | .. | 464 |
| Installation, maintenance, ownership of wiring and equipment | .. | .. | .. | .. | .. | .. | .. | .. | .. | 396 |
| Unfair competition | .. | .. | .. | .. | .. | .. | .. | .. | .. | 117 |
| Emergency/Priority | .. | .. | .. | .. | .. | .. | .. | .. | .. | 15 |
| Miscellaneous | .. | .. | .. | .. | .. | .. | .. | .. | .. | 78 |
| MERCURY | .. | .. | .. | .. | .. | .. | .. | .. | .. | 15 |
| HULL | .. | .. | .. | .. | .. | .. | .. | .. | .. | 2 |
| RADIO PAGING/MOBILE RADIO | .. | .. | .. | .. | .. | .. | .. | .. | .. | 27 |
| CABLE | .. | .. | .. | .. | .. | .. | .. | .. | .. | — |
| TOTAL | | | | | | | | | | <u>1,114</u> |

APPENDIX 2

Representations about PTO services received by OFTEL and ENACT for the period 1 January to 31 December 1985

| | | | | | | | | | |
|---|----|----|----|----|----|----|----|----|--------------|
| Disputed Telephone Accounts | .. | .. | .. | .. | .. | .. | .. | .. | 3,029 |
| Quality of Service | .. | .. | .. | .. | .. | .. | .. | .. | 1,643 |
| Deposits and Reminders | .. | .. | .. | .. | .. | .. | .. | .. | 996 |
| Charges | .. | .. | .. | .. | .. | .. | .. | .. | 1,083 |
| Provision of Service | .. | .. | .. | .. | .. | .. | .. | .. | 663 |
| Directory Services | .. | .. | .. | .. | .. | .. | .. | .. | 303 |
| Payphones | .. | .. | .. | .. | .. | .. | .. | .. | 197 |
| International Services | .. | .. | .. | .. | .. | .. | .. | .. | 43 |
| Other Matters (Advertising, Electronic Mail etc) | .. | .. | .. | .. | .. | .. | .. | .. | 808 |
| TOTAL | | | | | | | | | <u>8,765</u> |

APPENDIX 3

PTO Licences – cable operators

| <i>Franchise</i> | <i>Licensee</i> | <i>Licence date</i> |
|------------------------|-------------------------------------|---------------------|
| Aberdeen | Aberdeen Cable Services Ltd and BVL | 28.5.85 |
| Coventry | Coventry Cable Ltd and BVL | 31.5.85 |
| Croydon | Croydon Cable Television Ltd | 30.9.85 |
| Ealing | Cabletel Communications Ltd | 30.9.85 |
| Glasgow (Clydebank) | Clyde Cablevision Limited | 14.6.85 |
| Swindon | Swindon Cable Limited | 2.8.85 |
| Westminster | Westminster Cable Co Ltd & BVL | 3.5.85 |
| Windsor | Windsor Television Limited | 2.10.85 |

APPENDIX 4

**Non-PTO Licences issued during 1985 under the
Telecommunications Act 1984**

| <i>Title</i> | <i>Period</i> | <i>Date of issue</i> |
|--|---------------|--------------------------|
| Temporary licence for the Marconi Company to run certain telecommunication systems on the Hillend and Donibristle Industrial Estate. | 6 months | 23.1.85 |
| Temporary licence for the running of certain telecommunication systems to Barclays Bank plc and members of its Group. | 6 months | 4.3.85 |
| Temporary licence for British Steel Corporation to run telecommunication systems at Llanwern Works, Newport, Gwent. | 6 months | 11.3.85 (renewal) |
| Temporary licence for British Airports Authority. | 9 months | 12.3.85 |
| Temporary licence for the Electricity Boards to run certain telecommunication systems. | 3 months | 31.3.85 (renewal) |
| Temporary licence for Eastern Electricity Board to run certain telecommunication systems. | 3 months | 31.3.85 (renewal) |
| Licence granted to the Science and Engineering Research Council (European Academic and Research Network). | 4 years | 26.4.85 |
| Temporary licence for Unilever plc to run certain telecommunication systems in the UK. | 6 months | 1.5.85 |
| Licence granted to Guardian Royal Exchange Group. | 5 years | 17.5.85 |
| Temporary licence for Midland Bank plc and members of its group to run certain telecommunications system in the United Kingdom. | 6 months | 21.5.85 |

| <i>Title</i> | <i>Period</i> | <i>Date of issue</i> |
|---|---------------|----------------------|
| Temporary licence granted to the London Borough of Hammersmith and Fulham. | 12 months | 23.5.85 |
| Temporary licence for British Gas to run certain telecommunication systems. | 6 months | 30.6.85 (renewal) |
| Temporary licence to Hydrocarbons Great Britain to run certain telecommunication systems. | 6 months | 30.6.85 (renewal) |
| Temporary licence for the Electricity Boards to run certain telecommunication systems. | 3 months | 30.6.85 (renewal) |
| Temporary licence for Eastern Electricity Board to run certain telecommunication systems. | 3 months | 30.6.85 (renewal) |
| Temporary licence granted to the Civil Aviation Authority. | 9 months | 6.6.85 |
| Temporary licence for TSB Trustcard to run certain telecommunication systems in the UK. | 6 months | 12.6.85 |
| Temporary licence granted to British Aerospace. | 12 months | 25.6.85 |
| Temporary licence granted to Thorn EMI plc and its subsidiaries. | 12 months | 25.6.85 |
| Temporary licence granted to Willis Faber plc and its subsidiaries. | 12 months | 25.6.85 |
| Temporary licence for the British Gas Corporation to run certain telecommunication systems (Easington—Rough Gas field). | 6 months | 3.7.85 |
| Temporary licence for Reuters Ltd to run certain telecommunication systems. | 12 months | 1.7.85 |
| Temporary licence for the Marconi Company Ltd to run certain telecommunication systems on the Hillend and Donibristle Industrial Estates. | 6 months | 23.7.85 (renewal) |

| <i>Title</i> | <i>Period</i> | <i>Date of issue</i> |
|---|---------------|----------------------|
| Temporary licence to Boots Company plc. | 12 months | 10.7.85 |
| Temporary licence to HP Bulmer Holdings plc. | 12 months | 10.7.85 |
| Temporary licence granted to Wolverhampton and Dudley Breweries plc. | 12 months | 10.7.85 |
| Temporary licence granted to Honeywell Inc. | 12 months | 17.7.85 |
| Temporary licence granted to Equity and Law Life Assurance Society plc and its subsidiaries. | 12 months | 24.7.85 |
| Temporary licence granted to the Norwich Union Group. | 12 months | 31.7.85 |
| Temporary licence for the British Railways Board to run certain telecommunication systems. | 12 months | 1.8.85 |
| Licence for the running of telecommunication systems granted to Barclays Bank plc and members of its group. | 6 months | 3.9.85 (renewal) |
| Temporary licence for Brightstar Communications Ltd to run certain telecommunication systems. | 12 months | 3.9.85 |
| Temporary licence for the Yorkshire Electricity Board to run certain telecommunication systems. | 6 months | 10.9.85 |
| Temporary licence granted to Lancashire Constabulary. | 6 months | 30.9.85 |
| Temporary licence for the Electricity Boards to run certain telecommunication systems. | 6 months | 30.9.85 (renewal) |
| Temporary licence for British Steel Corporation to run telecommunication systems at Llanwern Works, Newport, Gwent. | 12 months | 11.9.85 (renewal) |
| Temporary licence for Eastern Electricity Board to run certain telecommunication systems. | 6 months | 30.9.85 (renewal) |

| <i>Title</i> | <i>Period</i> | <i>Date of issue</i> |
|---|---------------|-----------------------|
| Temporary licence granted to Hertfordshire County Council. | 12 months | 7.10.85 |
| Temporary licence granted to Lever Brothers Ltd and its subsidiaries in the UK. | 12 months | 7.10.85 |
| Temporary licence granted to Tate and Lyle plc and its subsidiaries in the UK. | 12 months | 7.10.85 |
| Temporary licence for Inter-City Paging Ltd to run a mobile radio telecommunication system. | 12 months | 19.10.85 (renewal) |
| Temporary licence for Digital Paging Systems (UK) Ltd to run a radio paging telecommunication system. | 12 months | 17.10.85 |
| Temporary licence for Telacoustic Systems Ltd to run a mobile radio telecommunication system. | 12 months | 17.10.85 |
| Temporary licence for Air Call plc to run certain telecommunication systems. | 12 months | 22.10.85 |
| Temporary licence for Unilever plc to run certain telecommunication systems in the UK. | 12 months | 1.11.85 (renewal) |
| Temporary licence granted to Sun Alliance Insurance Group. | 12 months | 13.11.85 |
| Temporary licence granted to the London Borough of Barnet. | 12 months | 2.12.85 |
| Temporary licence granted to the London Borough of Brent. | 12 months | 2.12.85 |
| Temporary licence granted to the London Borough of Haringey. | 12 months | 2.12.85 |
| Temporary licence granted to the London Borough of Richmond upon Thames. | 12 months | 2.12.85 |

| <i>Title</i> | <i>Period</i> | <i>Date of issue</i> |
|--|---------------|-----------------------|
| Temporary licence for Co-Channel Electronics Limited to run a mobile Radio Telecommunication System. | 12 months | 10.12.85 |
| Temporary licence granted to the British Airports Authority. | 12 months | 13.12.85 |
| Temporary licence for TSB Trustcard Ltd to run certain telecommunication systems in the UK. | 12 months | 13.12.85 (renewal) |
| Temporary licence for Kodak Ltd to run certain telecommunication systems in the United Kingdom. | 12 months | 14.12.85 |
| Temporary licence granted to Burmah Oil Trading Ltd. | 12 months | 18.12.85 |
| Temporary licence for the British Gas Corporation to run certain telecommunication systems. | 12 months | 30.12.85 (renewal) |
| Temporary licence to Hydrocarbons Great Britain to run certain telecommunication systems. | 12 months | 30.12.85 |

APPENDIX 5

OFTEL publications 1985

The following publications were issued by OFTEL during 1985. They are available free of charge unless the 1985 price is shown. The reference of the publication is shown in brackets where relevant.

General

A Guide to the Office of Telecommunications (12/85).

DIEL: the Advisory Committee on Telecommunications for Disabled and Elderly People (9/85).

Telecommunications Wiring in Business Premises and Homes: Rules on wiring on customers' premises (4/85).

Competition

Effective Competition (Telecommunications Apparatus): A Consultative Document (3/85).

Report on investigation of complaint about alleged unfair competition in radiopaging, by the Director General of Telecommunications (8/85).

British Telecom's Procurement of Digital Exchanges: a report by the Director General of Telecommunications.

British Telecom's Price Changes, November 1985: A statement issued by the Director General of Telecommunications (1/86).

Determinations

Determination of terms and conditions for the purposes of an agreement on the interconnection of the British Telecommunications Telephone System and the Mercury Communications Ltd System under Condition 13 of the licence granted to British Telecommunications under Section 7 of the Telecommunications Act 1984 (£6.00).

Mobile Communications

Advice submitted by the Director General of Telecommunications to the Secretary of State on the allocation of radio frequencies in Bands I and III for private mobile radio purposes (5/85).

Advice submitted to the Secretary of State on the expansion and allocation of radio frequencies for radio-paging use (6/85).

Technical

Code of Practice for the magnetic coupling of telephones to hearing aids (£2.00).

Update (a series of fact sheets)

Providing and Maintaining Information about Telecommunication Apparatus and Systems (BSGL 1).

Power Supplies for PBXs. A New Approvals Scheme (SA/1).

New Route for Approval of Headsets (SA/2).

BABT Moves to New Accommodation (SA/3).

Newsletters

OFTEL News: Quarterly newsletter (launched December 1985).

Newline: Series of information sheets sent to local telecommunications advisory committees.

APPENDIX 6

OFTEL staff

Director General of Telecommunications: Professor B V Carsberg

Deputy Director General: Mr W R B Wigglesworth

Branch 1 (Monitoring of PTO Licences, Competition)

Director: Mr A W G Catto

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

Director: Dr J P Compton

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

Assistant Director: Mrs J T Percy-Davis

Principal Information Officer: Mr D Redding

Branch 4 (Legal)

Director: Mrs T J Dunstan

Branch 5 (Technical)

Director: Mr C R D Tatham

OFTEL employed 89 full-time staff and four part-time staff at 31 December 1985.

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Government publications are also available through booksellers

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