



ANNUAL REPORT 1986

REPORT
to the
DIRECTOR GENERAL
of
TELECOMMUNICATIONS

for the period 1 January to 31 December 1986 to
the Secretary of State for
Trade and Industry

*Presented to Parliament
in pursuance of section 55 of the Telecommunications Act 1984
Ordered by the House of Commons to be printed
1 July 1987*

LONDON
HER MAJESTY'S STATIONERY OFFICE

REPORT OF THE DIRECTOR GENERAL OF TELECOMMUNICATIONS TO THE SECRETARY OF STATE



I am required, by section 55 of the Telecommunications Act 1984 (the Act), to make to you an annual report 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 1986. In the first section, I comment generally on my activities during the period, with special emphasis on promoting competition and customers' interests. Sections 2-6 describe OFTEL's activities during the year, and Section 7 contains the reports of the six statutory advisory committees on telecommunications. No references were made by me to the MMC during 1986.

BRYAN CARSBURG
14 April 1987

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PROMOTING COMPETITION AND CUSTOMERS' INTERESTS

Director General's Statement

1.1 At the end of 1986, the Office of Telecommunications was 2½ years old. It had a staff of about 120. The initial phase of rapid growth associated with the establishment of the Office had been completed. And yet, new issues continue to come before us at a remarkable rate. Stimulated by the new framework introduced by the Telecommunications Acts of 1981 and 1984 and by a rapidly changing technology, the telecommunications industry in the United Kingdom has been changing very rapidly.

1.2 It has been—and will continue to be—a stimulating experience to be the regulator of the industry. The challenge has been to get the balance of regulation right: to harness the potential of competition to serve customers' interests as far as possible and avoid excessive regulation of the kind that might inhibit innovation; but also to take firm action to ensure that the position of dominance which British Telecommunications plc (BT) continues to enjoy in many areas of activity is not abused to the disadvantage of customers.

1.3 One of the key events of 1986 was the commencement in May of a new switched public telephone service provided by Mercury Communications Ltd (MCL) in competition with BT. MCL began this service by providing direct exchange lines to customers and making use of the arrangements, set down in my interconnection determination of October 1985, for connecting its system to BT's system. Towards the end of the year, MCL began piloting a new service under which customers with BT exchange lines could choose to have their long distance calls routed over the MCL network. BT responded to the challenge of competition by accelerating its investment plan in order to achieve more rapid conversion of its network to digital facilities. At the end of the year new digital exchanges—supplied by GEC, Plessey, and Thorn Ericsson—were being commissioned at the rate of one every day; and the conversion of the trunk network to digital operation was well on the way to completion.

1.4 I have always hoped that competition in local telephone services would prove to be possible in some parts of the country. The high element of fixed cost per customer connected limits the possible extent of competition; but local competition would be highly desirable particularly because, in combination with other regulatory action, it would help to ensure that local services were priced as keenly as possible. I was therefore pleased to see the progress made by MCL in developing a local network in London and also the growing prospects for the participation of cable television companies in local telecommunications, signalled by the announcement of two agreements between MCL and such companies to provide local telephony.

1.5 At present, cable television companies can provide voice telephony services only if they are provided in conjunction with BT or MCL. However, the provision of telephony by cable companies has great potential importance because of the stimulus it may bring to the development of broadband networks—a development which offers so much promise for the future of both entertainment and information technology. One of the most important challenges of the next few years will be to re-examine the regulations governing the operation of cable television companies to ensure that they play the fullest possible part in the development of our infrastructure consistently with the need to ensure that no erosion takes place in the overall ability of the industry to satisfy the demands that are placed on it.

1.6 International communication is another area that stands to gain much from the introduction of competition. The potential in this area will be realised most effectively if MCL succeeds in negotiating agreements to work directly with telecommunication companies in other countries. I have been particularly pleased to see the progress made by MCL in commencing direct working with North America. I attach great importance to the obtaining of further agreements of this kind by MCL and I note the potential for agreement with countries such as Japan, which has demonstrated its belief in domestic

The Promotion of Competition

competition in telecommunications by changes in its own national laws, and with the other nations of the European Economic Community which encourages competition so firmly in Community law.

1.7 However, the introduction of competition in international telecommunications originating in the UK also carries a risk: nations which continue to have only one operator may be in a position to exercise monopoly power over those like the United Kingdom which have two or more operators. The licences of BT and MCL give me the duty of determining a code of practice to control accounting methods, rates and divisions in international services in order to prevent such abuse of monopoly power. I held lengthy discussions about the form of such a code during 1986 and I was close to a final decision about its content at the end of the year.

1.8 In the field of mobile telephony, competition also developed in an encouraging way in 1986. Racal-Vodafone and Cellnet had made good progress with their competing cellular radio telephone systems by the end of 1985. By the end of 1986, both companies had comfortably exceeded initial forecasts for the numbers of customers connected to the system. Experience with the cellular radio telephone systems illustrates the particular benefits that can be obtained when two or more competitors start from an almost equal base point. I was therefore pleased when the Minister of State announced the decision, based on my advice, to award two national licences for competing national private mobile radio systems, as well as a number of licences for local areas.

1.9 I also gave you advice in 1986 about the award of additional licences to run radiopaging services and you accepted that advice. In framing my advice, I gave particular emphasis to the desirability of establishing strong competition to ensure that the dominant position of BT in the market did not work to the disadvantage of customers. I believe that the arrangements agreed will achieve that aim. These developments of competition in the market for mobile communications, using radio, are encouraging not only because of the desirability of competition in its own right but also because the use of radio in telecommunications is likely to become much more important in the future, for example in providing services to rural areas and in making the personal portable telephone a practical reality, and the more firms that have practical experience of the development of radio communications, the more such developments are likely to be facilitated.

1.10 Two parts of the telecommunications market that are likely to benefit from very extensive competition are those for apparatus supply and value added services. In these markets, fixed costs are a lower obstacle to the development of competition than they are in the establishment of new networks. With apparatus supply and value added services, the promotion of effective competition nevertheless requires strict attention to fair trading rules. In the United Kingdom, we have decided that BT and the other network operators should be allowed to compete fully in the supply of apparatus and services: obtaining these things from the same company that provides basic telephony may be beneficial to some customers. In this, our approach has differed from that adopted in the United States; but I have been interested to see signs in the United States that the regulatory framework may be amended to allow providers of basic telephony to compete in apparatus production and in value added services.

1.11 The decision taken in the United Kingdom to allow providers of basic services to compete in other areas has meant that great care must be exercised to ensure that the fair trading rules work effectively. When OFTEL was first established, in 1984, I quickly became aware that great concern existed about the prospects for fair competition. People were concerned that BT would cross-subsidise its apparatus supply business or use its dominant position to confer other advantages on this business. I saw that I needed to take active steps to

ensure that the fair trading rules were observed. I needed to explain the strength of my powers to deal with breaches of the rules, including powers the exercise of which could eventually have financial consequences for BT, and my determination to use them if necessary. This approach was important because competition might be seriously inhibited if potential competitors were to conclude that they would not have a fair chance and decide therefore not to enter the market.

1.12 Part of my plan for active regulation was to undertake a survey to establish the fairness of competition in apparatus supply. This survey was carried out for me by a firm of consultants during 1986. It involved interviewing over 800 purchasers of apparatus and about 50 dealers as well as other competitors to BT. Overall, the findings were encouraging. Twenty-four per cent of customers thought that there existed a high degree of open and fair competition and a further 51 per cent thought that the degree of competition was reasonable. Furthermore, some of the areas that gave rise to doubts about the fairness of competition had been improved after the events dealt with in the survey. New policies and practices on the provision of maintenance services and the provision of wiring inside buildings have helped significantly. However, I also recognise the strong need to continue regulatory vigilance. I shall continue to pursue an active policy in enforcing the rules on fair trading and I shall undertake another survey after a reasonable interval to check on the level of progress. Furthermore, I have obtained estimates of BT's financial results for apparatus supply up to 31 March 1986, even though the licence commitment does not require the application of full accounting procedures until 1 April 1987. I am analysing this accounting information in order to be sure that I understand its messages for fair trading issues.

1.13 I am well aware that some of the issues that are important in establishing fair competition from the viewpoint of dealers have not yet been dealt with in a fully satisfactory way. The liberalisation of domestic extension wiring, introduced towards the end of 1986, was welcomed by dealers but many of them still feel that the arrangements for installing domestic master sockets and the arrangements for connection of Call Routing Apparatus put them at a serious disadvantage compared to BT. At the end of 1986, I was still considering these matters in order to decide whether or not a case could be sustained for further changes in the rules in the interests of improving the fairness of competition.

1.14 I became aware last summer of the intention of BT and MCL to offer Centrex type services—services under which the facilities normally provided by PABXs would be offered instead as part of public networks—in the near future. These new services are very much to be welcomed and indeed the prospect of their availability in the United Kingdom in 1987 is another sign of the power of market forces to encourage the provision of good services to customers. However the plans to introduce Centrex type services also create the need for a review of the regulatory arrangements. I am determined to make sure that the introduction of these services cannot have significantly anti-competitive effects, for example by being cross-subsidised to the disadvantage of apparatus suppliers.

1.15 Good progress has also been made over the last few years in the development of a market for value added services, building on the arrangements first established in 1982. OFTEL has been working with the Department of Trade and Industry (DTI) throughout 1986 to help with the development of new arrangements which would give greater scope to services of this kind. These arrangements had almost reached the point of finalisation at the end of the year. I was particularly pleased to see the encouragement which they will give to the supply of services on managed data networks.

1.16 These new services create very similar regulatory challenges to those in apparatus supply: public telecommunications operators are permitted to provide

the services but they must comply with fair trading rules in doing so. As part of the arrangements for the new phase of liberalisation, I have been working with BT, MCL, and the Kingston-upon-Hull City Council to agree amendments to their licences to apply the fair trading rules in the new circumstances. I intend to take an active role in making sure that companies with large shares of the market do not engage in activities that could distort competitive forces; but, at the same time, I shall want to avoid the imposition of an excessive regulatory burden which could inhibit the development of the market: the best interests of the country will be served if this market develops in a vigorous manner.

Apparatus Standards and Testing

1.17 At the beginning of 1986, active responsibility for the designation of standards for apparatus approval and for the approval of apparatus and the approval of maintainers was exercised by the Secretary of State: my role was an advisory one. On 1 December 1986, these responsibilities were delegated to me, subject to a reservation to take account of the programme for the harmonisation of standards in the European Economic Community. The arrangements for approving apparatus have very great importance for the effectiveness of competition. Only if all suppliers can obtain approval for their apparatus even-handedly and with as little cost and delay as reasonably possible can the market serve consumer needs with the desired efficiency. An impressive start has been made to the apparatus approval arrangements: a very large number of types of apparatus have now been approved and I have seen no significant evidence that the arrangements are applied other than even-handedly.

1.18 However I have received a number of complaints, particularly from small manufacturers, that the arrangements are not working as well as is desirable in allowing approval to be gained quickly and at low cost. Because of these complaints, I have started a review of approval procedures during 1986. A committee was established to prepare advice on the scope for simplification of standards; and work was undertaken to review the testing and evaluation procedures and also to make a determined effort to explain them more effectively to applicants for approval. This work was still in progress at the end of 1986.

1.19 Carrying this work forward will be a top priority for 1987. I am determined to make sure that the procedures are working as effectively as possible. I am aware that much can be done by determined staff work, investigating individual cases that run into difficulty and doing everything possible to move them forward. I am also aware that some of the difficulty is transitional: time has been needed to develop standards, in the face of great scarcity of the skills that are needed for this purpose. Some gaps in the availability of standards persist and this is an inevitable cause of delay. I am attaching priority to the completion and designation of standards for all types of apparatus where a need has been identified and this work is well in hand. I shall also be looking very carefully at the scope for reducing the complexity of standards and improving testing and evaluation procedures. However, a balance has to be struck in this: while manufacturers must be free from unnecessary obstacles, I must be sure that apparatus does not cause a deterioration in the quality of the service provided by the network, to the detriment of all users.

The Protection of Consumers

1.20 During 1986, a number of important issues arose for the protection of consumers from possible abuse of monopoly power. The issue with the largest immediate impact was that of pricing. BT proposed, for implementation in November 1986, a set of price changes that involved a significant rebalancing of prices—a greater rebalancing than in the two previous sets of prices. I decided to undertake a major review of the working of the price control arrangements. The review focused on three main aspects of the situation: BT's compliance with the licence condition; whether or not the licence condition was doing a satisfactory job in protecting consumers; and whether or not the rebalancing was justified.

1.21 The price control formula called for a small reduction in BT's average prices. Calculation of the average price change is quite complex: it must take into account, not only differences in changes in local call charges and long distance charges at different times of day, but also the fact that changes in the amount of time allowed for one charging unit mean that calls lasting different lengths of time will experience different rates of price increase—for example, a peak rate local call of less than a minute in duration will be subject to a different rate of price change from a peak rate local call lasting just over a minute. Experts on my staff investigated evidence provided by BT, using statistical techniques, and their report satisfied me that BT had complied with its licence condition.

1.22 To decide whether or not the licence condition was being effective in protecting consumer interests, I asked the question: 'Is BT making an excessive rate of return on capital employed?'. I have powers to initiate procedures to amend BT's licence and these apply to the price control rule as much as to any other rule in the licence. I therefore must consider from time to time whether I ought to use these powers. However, the intention of setting a fixed pricing formula is to give BT the incentive to improve efficiency—if it can earn more profit by becoming more efficient it should have the opportunity to do so. This purpose of the pricing rule would be negated if a licence amendment were to be sought whenever BT earned a higher rate of return than the minimum acceptable. I therefore took the view that I should seek a licence amendment only if BT was making an excessive rate of return on capital employed and the excess was attributable to factors other than improved efficiency; I also said that I would not seek a licence amendment in the interests of fine tuning. In the event, these qualifications were not needed. My investigation concluded that BT was not making an excessive rate of return on capital employed.

1.23 BT's licence contains no rules about individual prices but I decided to investigate the individual price changes with a view to introducing more specific pricing rules if the changes seemed unjustified. BT provided me with detailed costing information which I examined with very great care. This convinced me that the changes in individual prices were justified: prices had been out of line with costs when BT was privatised in 1984 and the costs of long distance calls had been coming down relatively to the costs of local calls since then because of changes in technology. I have, in the main, to accept the logic of cost in decisions about the prices of local and long distance calls. I do not believe that there is a justification for me to try to insist that prices of local calls should be held below cost while those of long distance calls are held above cost to make good the deficit. This would amount to forcing some members of society to subsidise others, something which I could undertake only in a limited way and only within the spirit of the framework established by Parliament. However, I was encouraged to find that the amount of rebalancing justified in the light of current levels of cost seemed to have been more or less completed. I do not see the need for significant further rebalancing unless relative costs change by a further significant amount in the future.

1.24 One aspect of pricing poses further significant difficulties. The exchange line rental—or standing charge—remains at a level much below that of the costs that can be associated with it. I believe that an economic case may exist for continuing this position. Holding the standing charge down increases the number of people who can afford to have a telephone and this can increase the value of the network for all users. I have said that I will investigate further the case for holding the exchange line rental below cost and consider the merits of a scheme under which the charges for making calls formally include an element of levy used to subsidise the exchange line rental. This would not involve an increase in call charges because they already include a sufficient surplus to cover the shortfall on exchange line rental.

1.25 BT also raised with me during the year the possibility of introducing a scheme for giving discounts to large customers. I was still investigating this scheme at the end of the year. I recognise that BT may have the same right that any business should have of giving what are, in effect, quantity discounts. However, I need to satisfy myself that any discounts given are fair in the context of all the economic circumstances; that they do not amount to forcing a subsidy from low volume users of the telephone to high volume users; and that they do not amount to a breach of the licence rules against undue discrimination and undue preference.

1.26 1986 also saw the first major quality of service survey organised by OFTEL. This was undertaken by a very large panel of telephone users, established with the help of the local Telecommunications Advisory Committees (TACs) all round the country. I am very grateful for the help given by the large number of volunteers without whom this work would not have been possible. The broad finding of the survey was that BT's quality of service had been at least constant and perhaps improving slightly over the past few years. No doubt, people will be disappointed that a rapid improvement has not been demonstrated. However, improvement in the telephone service depends largely on investment in new technology and there is a lag between the time when the investment takes place and when the improvement in service is evident. BT is now making heavy investments in network modernisation and the effect of these can be expected to show in service quality progressively over the next few years. The work I have undertaken so far leaves questions in my mind about some aspects of service quality, in particular the service provided at public call boxes, the speed of service in directory enquiries and the speed of fault repair. I shall be giving particular attention to these issues, as well as continuing the more general work, in 1987 and I shall consider the extent to which I ought to use my powers to call for improvements in particular areas.

1.27 The statistics given later in this report show that a substantial increase occurred, in 1986, in the number of representations and enquiries received by OFTEL. The statistics on the quality of service indicate that this increase cannot be explained on the grounds that there is more to complain about. The increase should, I think, rather be attributed to the fact that the telecommunications industry has been the focus of a considerable amount of publicity during the last few years and people have become more aware of the background situation and the avenues that exist for drawing attention to their complaints. The section of OFTEL that handles complaints and enquiries from the general public is working under considerable pressure but I am arranging, as resources permit, for an analysis to be undertaken of a sample of cases concerning each of the main types of complaint that we receive with the intention of improving our method of dealing with such cases and making it more systematic.

1.28 The most common cause of complaint continues to be founded on disbelief at the size of domestic telephone bills. Although technical evidence indicates that the metering process is normally extremely accurate, I can understand people's suspicion of the process when they cannot see the meter and when the person who pays the bill is often unaware of the extent to which other members of the household have used the telephone. I do not believe that it will be possible to achieve a substantial reduction in the number of complaints about bills until BT provides itemised bills. I am aware that itemised billing cannot be made available at reasonable cost until modern digital exchanges become available. I have been pressing for the introduction of the facility on an area by area basis as quickly as possible and I was therefore pleased to see BT's announcement, during 1986, that it is conducting a trial of itemised billing in a System X exchange in order to validate the procedures. I hope that this will lead to rapid progress in provision of an itemised billing option; but I want to make it clear that I should be prepared to consider

seeking a licence amendment, requiring the introduction of itemised billing as soon as reasonably practicable, if BT were not to introduce it voluntarily.

1.29 Another issue that arose during the year deserves comment both because of its general interest to consumers and because of its demonstration that OFTEL can take effective action in areas where no specific licence rule exists. BT proposed the introduction of an enhanced fault repair service—which in concept I welcome—at a maximum premium of £33 per year for each exchange line. It also proposed to require emergency organisations entitled to priority fault repair to pay the same premium as a precondition for continuing to obtain priority. I accepted that BT was entitled to introduce charges for priority fault repair but I decided to investigate the proposed prices to satisfy myself that they were reasonable in relation to cost. My investigation made it clear that BT did not have satisfactory estimates of cost available. Eventually, I agreed that BT would proceed with the service on the basis that it would charge emergency organisations half the originally proposed price: BT satisfied me that the cost was very unlikely to be lower than this and it also satisfied me that the costs incurred in providing service to non-emergency organisations would probably be higher than for emergency organisations. Detailed records will be kept after the introduction of the service so that prices can be reviewed for all customers.

1.30 I also received during the year a number of complaints about BT's practice of excluding, in its contracts, liability for losses incurred by customers as a result of failure to provide service at the agreed date or because of a fault in the service. My investigation into these complaints was continuing at the end of the year. I take these complaints very seriously and I am concerned about the situation. I recognise that BT cannot be expected to provide a service that is completely free from fault. If BT were to be liable for losses caused by a breakdown in the service, it would be providing, in effect, an insurance scheme for customers. Many customers might prefer not to incur the cost of such a scheme and I would not want such a cost to fall on all customers including those who preferred to carry the risk of a breakdown in service without compensation.

1.31 This line of thought suggests that resolution of the issue may rest partly in introducing an insurance scheme. The losses incurred by a business when its telephone service breaks down are not very different from the losses caused when its business is disrupted by a fire—losses that are covered under policies for consequential loss quite commonly. However, I am also concerned, more generally, that BT has insufficient incentive under the present arrangements to repair faults quickly and to accept a contractual commitment for dates for providing new service. I am considering the case for making its performance in this regard an explicit factor in the price control formula. For example, BT might be required to provide service within a specified time interval and a count could be kept of days without service beyond this limit and of customer days without service because faults were not repaired by the end of—say—the second working day after reporting. This total count of days without service could be used as an explicit element in the pricing formula to reduce the acceptable price increase.

1.32 Finally, in this highly selective discussion of consumer issues, I want to mention recorded message services and the 'Talkabout' chat line service. I received a number of complaints earlier in the year about recorded message services that were regarded as offensive. BT subsequently moved to meet these complaints by establishing a code of practice for service providers including arrangements for complaints to be referred to an independent panel and for service to be discontinued to providers who fail to accept the verdict of the panel. I believe that these measures should remove the main cause of complaints about recorded messages. The 'Talkabout' service presents greater difficulty. BT responded to the initial complaints about this service by taking measures to bring the cost of the service more clearly to people's attention and

by stepping up monitoring arrangements designed to limit abuses of the system. I am waiting to assess customers' reaction to the service in the light of these measures. However I remain concerned about the service and, in particular, about the justification for promoting a special service to people who will not pay the bill—often the teenage children of the bill payer—and which the person who pays the bill would not wish to be provided.

Advisory Committees

1.33 During 1986, my advisory committees played an active and significant role in helping me with decisions about many of the most difficult issues. I want to take this opportunity of thanking all the people concerned for their helpful support and their enthusiastic interest. This was most particularly evident, though it went much wider, in the cases of our work on quality of service and the review of BT's prices. With regard to prices, I or a senior member of my staff personally attended a meeting of each of the national advisory committees and their suggestions—particularly their comments about the need for better communication about the effect of price changes—influenced the outcome of my decisions considerably.

1.34 I also instituted during 1986 a new form of meeting with telecommunications interests, which I called the Telecommunications Forum. I regarded the Forum as an opportunity to bring together people from a number of representative organisations which are not formally part of the advisory committees, so that I could gather information and become aware of the matters that were of concern to them; and so that each could hear others' points of view about the subjects of concern. The Forum included representatives of the public telecommunications operators, the trade unions with an interest in telecommunications, trade and technical associations and the leading consumer and user organisations. The first meeting took place in June and resulted in a lively exchange of views on a wide range of major issues. I hope to continue with this experiment by holding further informal meetings at regular intervals.

Other Matters

1.35 The interest shown by other nations in the British experiment with privatisation, liberalisation and regulation, continued at a high level. We received visits from a very large number of delegations from other nations at OFTEL and I visited Canada, Japan, and Hong Kong on telecommunications business as well as most of the member nations of the European Economic Community. The opportunities provided by these meetings are of great value to both sides. They give me the opportunity to learn about trends in technology, pricing and customer service in other countries while also giving me the opportunity to exchange views about the advantages of different frameworks in bringing benefits to customers.

1.36 Finally, I should like to thank the OFTEL staff for their help and support during 1986. I find that OFTEL is a stimulating place at which to work. This is partly because of my belief that the policies we are implementing are bringing significant benefits to both domestic customers and the business customers for whom efficient telecommunications services are becoming increasingly important to the ability to compete effectively in international as well as domestic markets. But it is also in strong measure attributable to the performance of the OFTEL staff. We have a strong team. It is working under considerable pressure as important changes in the industry continue apace and the volume of individual cases also grows. In the face of such pressures, the amount of cheerful energy and enthusiasm displayed by the staff is noteworthy: it is a major factor in OFTEL's accomplishments.

PTO LICENCES AND COMPETITION

*Public
Telecommunications
Operators (PTOs)*

2.1 At 31 December 1985, thirteen PTOs were licensed—three to provide basic telecommunication and associated services, two cellular radio operators, and eight broadband cable operators. In July 1986 one further licence was issued to a broadband cable operator.

2.2 During 1986, OFTEL's monitoring of PTO licences has continued to be concerned with three main areas. First, ensuring that licensees meet prescribed dates in areas such as the submission of information, establishment of Codes of Practice, and the agreement of procedures on operational matters. Secondly, consulting with licensees, customers and suppliers on the application of licences, including investigation of complaints and possible licence breaches. Thirdly, verifying the observance of licence conditions other than those which have been the subject of complaints. No formal orders were made under section 16 of the Telecommunications Act 1984 for the purpose of securing compliance with the conditions of a PTO licence.

2.3 Some complaints relate to matters which are directly controlled by the PTOs' licences. The main thrust of OFTEL's policy continues to be to encourage the development of effective competition, as a protection to customers, but in some situations competition is not yet effective—either between one PTO and another, or between the PTOs and other suppliers of telecommunications products and services. Where concern arises about a PTO's practices in an area which is neither subject to a specific licence provision nor to effective competition, the Director General will always consider whether it would be appropriate to initiate an amendment to the licence to bring the matter under control. In practice, it is usually possible to persuade the PTO concerned to change its practices voluntarily. No licence amendments were made in 1986.

Mercury Communications Ltd (MCL)

2.4 Following the Director General's Determination of the terms of interconnection with BT, MCL launched its switched telephony services in May 1986. The first customers were larger businesses which were served by direct exchange lines provided by MCL. Later in the year service was extended to other, generally smaller customers, who obtained access to the MCL network via their existing BT local exchange lines. At the same time MCL continued to expand the coverage of its network, meeting its licence obligation to provide 15 nodes in the major centres of population by November 1986, and consolidating its presence in the City of London and adjacent areas. It has therefore laid a major part of the foundations of a modern digital system, capable of providing a full range of high quality voice, data and telex services. This has been achieved by high speed transmission and switching equipment, offering keen competition to BT particularly over main trunk routes. The new competition was partly responsible for the series of price changes made by BT and MCL during the second half of the year. MCL has now applied under Condition 13 of BT's licence for the Director General to determine certain terms and conditions relating to the interconnection of the MCL and BT telex networks for the provision of international services.

International accounting

2.5 Discussions with BT and MCL concerning the arrangements for international accounting, (i.e. the payments made between United Kingdom operators and overseas operators for the conveyance of international calls, and related procedures), continued in 1986. These arrangements are important for establishing a framework for competition between the two UK long-distance operators while preventing overseas operators from taking unfair advantage of their monopoly power to the disadvantage of UK customers. At the end of the year, the Director General was close to making a Determination under BT and MCL licences, establishing a code of practice which both operators must follow in their arrangements with overseas telecommunications undertakings.

Hull Telephone Department (Hull)

2.6 In March 1986, Hull introduced a range of new tariffs covering connection and rental charges for exchange lines, internal extensions and other miscellaneous charges, many of which were being increased for the first time in three or four years. As a result they included some relatively large increases in percentage terms. In agreeing to the increases in February, the Director General took particular note of the still generally favourable comparison with charges for similar BT services, and Hull's moderate overall rate of return on capital employed.

Cellular radio

2.7 Rapid growth continued during 1986 on the two networks operated by Cellnet and Racal-Vodafone. Considerable progress was made in extending the service to all major centres of population, and in addressing the problem of network congestion in several parts of the London area. The costs incurred by the operators in countering congestion were reflected in tariff increases, which included new premium rates for calls originating in the London area at peak periods.

2.8 During the year both Cellnet and Racal-Vodafone published their Codes of Practice for consumer affairs after consultation with OFTEL. Agreement was also reached on arbitration procedures relating to disputes about the provision of service where the amount at issue is no more than £5,000, and on procedures regulating the disclosure of customer information.

PTO cable systems

2.9 The number of broadband cable operators licensed as PTOs under section 7 of the Act increased to nine during the year, with the granting on 1 July 1986 of a licence to East London Telecommunications Ltd to run telecommunication systems in the London Boroughs of Tower Hamlets and Newham.

2.10 With the start of services to subscribers in the Ealing franchise area in the Autumn, the number of operational broadband systems rose to eight. All operators were providing cable programme services, but a number were also actively engaged in planning for the early introduction of interactive services, including the provision of data services and of switched voice telephony in association with MCL. The first data and telephony services are planned to start in 1987.

2.11 In 1986, BT purchased Thorn EMI's shareholdings in the Swindon and Coventry cable companies. In the case of Swindon Cable Ltd, where BT sought modifications to the existing licence, including an extension of the franchise area, it was necessary for a new licence to be issued. Following consultation with OFTEL, and the completion of the statutory consultations required under sections 8(5) and 10(6) of the Act, the Secretary of State granted a new licence to Swindon Cable Ltd on 31 December. It will come into effect on 6 February 1987 when the previous licence will be revoked.

2.12 During the year, OFTEL was notified of a number of changes to the charges, terms and conditions for the services offered by a number of the broadband operators to their subscribers. The introduction of new channels, and variations to the choice of channel packages on offer were the prime reasons for changes to subscriber charges. Increased choice in methods of payment and reduced minimum contractual period accounted for the majority of the other changes.

2.13 A further six cable franchises were announced by the Cable Authority during 1986, bringing to 22 the number so far awarded in various parts of the UK.

Representations

2.14 During the period covered by the report OFTEL received 1,160 complaints and enquiries concerning PTO licensing and related issues, most of which were about BT. Included in this total was a large number of

representations concerning tariffs and charges, which went up from 464 in 1985 to 530 in 1986 (see Appendix 1). On the other hand the number of complaints and enquiries about the supply and maintenance of wiring and apparatus fell to 316 from the 1985 figure of 396, while those about unfair competition fell from 117 to 94. The number of representations about mobile communications rose from 27 to 66, but this can be explained by the growth of activity in this area.

Apparatus production

2.15 BT met the requirement in Condition 21 of its licence to transfer its manufacturing businesses to separate subsidiaries by 1 July 1986. BT is also required by Condition 21 not to make purchases from its apparatus production company of those products for which the Director General has determined that it is a monopoly purchaser, unless it complies with open tender procedures. The necessary Determination was made in November. A wide range of customers' premises equipment was covered, including telephones and various categories of call routing apparatus. BT was already operating open tender procedures for major acquisitions, and the Director General is continuing to discuss with BT the details of these procedures in order to promote a fair and competitive environment. Neither MCL nor Hull, whose licences contain similar provisions, has engaged in the production of telecommunications apparatus.

Alterations to the PTOs' systems

2.16 During 1986, discussions took place with BT about its procedures for consulting and giving advance notice to those likely to be affected by changes to its network. Under Condition 23 of its licence, BT is required to prepare a statement of the procedures in consultation with the Director General. In the course of these consultations BT agreed, at OFTEL's request, to increase the proposed minimum notice from 12 months to 15 months in the case of manufacturers and suppliers of equipment, and from one month to three months in the case of customers. Hull adopted an almost identical procedure and both statements were published in November. The preparation of similar statements by MCL and the two cellular radio operators was well advanced at the end of the year.

Enhanced maintenance and priority fault repair services

2.17 In May 1986 the Director General announced that he was starting an investigation into BT's charges for the optional enhanced maintenance service which it was introducing for exchange lines. The service provides two alternatives to the standard level of maintenance included in rental charges. However BT also proposed that the same charges should apply to those notified by the Director General under Condition 10 of BT's licence as entitled to fault repair with priority over other customers because they were engaged in the provision of emergency services, or supplied essential goods or services. Although the licence specifically provides for charges to be paid for repairs for emergency and essential service organisations, none had previously been levied.

2.18 The Director General was unable to conclude his investigation into charges for enhanced maintenance because BT did not have sufficient cost information available. He therefore accepted, as an interim measure, BT's offer to provide priority maintenance of exchange lines at half the originally proposed price to those entitled to it under Condition 10. During the first year of these new arrangements, which are due to start in April 1987, BT will keep full records which will be used to establish what levels of charges are reasonable, both for those entitled to priority and for others who opt for an enhanced level of maintenance.

2.19 By the end of 1986, OFTEL was close to agreeing with BT that Condition 10 of its licence should be amended so as to improve the priority arrangements. The amendment would enable the Director General to nominate categories of customers, as well as individual names, for the priority service. It

would also enable BT to continue to offer priority free of charge to two categories: first, residential customers living alone whose lives may depend on the availability of the telephone; and secondly, the lines used to carry 999 calls from the telephone operator to the emergency services. Similar discussions were opened with Hull and MCL.

Value added and data services (VADS)

2.20 In order to allow the PTOs to compete on an equal basis with other service providers operating under the proposed new class licence for VADS (see Section 3), certain modifications to the PTOs' licences are necessary. At the end of 1986 work to reach agreement on these modifications was almost complete, with the expectation that the new regime would be operational early in 1987.

Prices

Controlled prices

2.21 In September the Director General announced that BT had given him details of its proposed changes in tariffs, to take effect in November. The Director General welcomed BT's giving a longer period of notice than required by its licence—this allowed customers greater time to adjust to the changes. Under the RPI-3 price control formula specified in BT's licence, for the basket of services including residential and business rentals and direct dialled inland calls, BT was obliged to reduce the charges overall by 0.14 per cent. The actual average reduction was 0.3 per cent: therefore BT complied with the conditions of its licence.

2.22 The Director General examined the changes in detail in his report 'Review of British Telecom's Tariff Changes, November 1986' which was published in November. The report contained an examination of the working of the RPI-3 price control formula, and in particular considered whether or not BT was making excessive profits. The Director General concluded that BT was not earning an excessive rate of return and that he should not currently initiate proposals for changing the formula. He also concluded that the rebalancing of tariffs between local and long-distance calls was now almost complete, in the sense that further substantial increases in local call charges (beyond the rate of inflation) were not to be expected. BT was asked, and agreed, to remedy its current inability to alter the amount of time allowed for a unit in local calls in small steps, so facilitating finer tuning of tariff changes; and was further enjoined to do more to explain its charges to customers; to continue to pay increasing attention to improving efficiency and quality of service; and to resume publication of accounting numbers giving current cost estimates.

Other prices: AccessLines and private circuits

2.23 OFTEL continued during the year to receive complaints about increases in BT's charges for AccessLines and private circuits. (The distinction between the two is made by BT for commercial and technical reasons and depends on whether or not a particular dedicated circuit gives access to BT's public switched telephone network (PSTN).) Work on a comprehensive review of these charges was nearing completion by the end of the year. The investigation had been concerned with three key issues: the pricing structure for circuits; the relationship between charges for circuits which carry PSTN traffic and circuits which do not; and whether or not excess profits were being made on the services. During the course of the investigation, OFTEL held comprehensive discussions with BT and its costings were examined in detail. A consultative document was published inviting interested parties to submit views on possible methods of charging for dedicated circuits, and a number of helpful responses were received.

2.24 The Director General's preliminary conclusions, as a result of the investigation, were that BT was not earning excessive profits on these services; that the price increases had been needed to eliminate deficits which had grown up in the past as a result of holding prices below economic levels; but that in

aggregate, prices had now reached their economic level and further large overall increases were not to be expected.

Other prices: rented payphones

2.25 Large increases in rental charges for the older type of payphone (known as 'pay-on-answer'), led to a number of complaints that BT was taking unfair advantage of its monopoly position in payphone supply. An investigation into the financing of these payphones was begun during the year, with the aim of establishing whether or not increases of 60 per cent since August 1984 could be justified. The investigation was still in progress at the end of the year, though early indications were that BT was not earning excessive profits on payphone rentals.

Service Obligations

Premium services

2.26 Following strong representations made by the Director General on the need to maintain standards in the provision of premium telephone services (for example, recorded messages) the Association of Telephone Information and Entertainment Providers published a Code of Practice for premium services in consultation with BT. Enforcement of this Code should allay concerns that have been expressed about the decency of such services, as well as keeping customers better informed of the costs they incur in using them.

2.27 A service which has given cause for concern is BT's 'Talkabout', in particular 'Teenage Talkabout'. This service allows up to ten telephone callers from the same area to be linked together on the phone. In some cases, young people have used the service very heavily, and have run up large bills causing financial difficulties for their parents. Some complainants to OFTEL have stated that the service has led to situations which have been personally hazardous for young people. Although the number of such complaints is small compared with the number of people using the service, they have been pursued energetically with BT. As a result BT has introduced clear information on the cost of 'Talkabout', and people using 'Teenage Talkabout' are automatically cut off after ten minutes. BT has also greatly increased its supervisory activity on the teenage service. The Director General will monitor the effectiveness of the new arrangements before deciding whether further action is necessary.

Damage resulting from power surges

2.28 Lightning strikes can sometimes induce power surges in nearby telephone lines, and these power surges may flow along the network for some distance, causing damage to telecommunications equipment. Protective devices can be inserted in the network, and BT already fits such protection to a greater extent than international recommendations require. However, OFTEL has received a number of complaints from customers who have had to pay for the repair of telephones and other equipment which have been damaged as a result of power surges. In some cases the customer owned the equipment, but in other cases it was rented from BT which then charged the customer for repairs. The Director General is discussing with BT, equipment manufacturers and others, the most cost-effective way of protecting customers from the effects of such power surges.

Prestel—local call access

2.29 Representations were received to the effect that certain rural parts of Wales were unfairly disadvantaged in being unable to access BT's Prestel service at local telephone call rates. This was felt to be anomalous in comparison with the universal local call access enjoyed in Scotland and Northern Ireland. Discussions with BT were brought to a successful conclusion early in 1986 when BT agreed to introduce local call access to Prestel in all areas as soon as practicable. This was achieved in rural Wales in July 1986.

Competition Issues

Supply of telecommunications apparatus

2.30 In April, the Director General commissioned Inbucon Management Consultants Ltd to carry out a survey of the effectiveness of competition in the supply of telecommunications apparatus. This survey fulfilled the commitment given in OFTEL's consultative document 'Effective Competition (Telecommunications Apparatus)' published in 1985. The objectives of the survey were to provide an independent assessment of the state of competition in the supply of Private Branch Exchanges (PBXs) and key systems, to establish the extent, if any, to which competition is hindered by BT's practices as a network operator, and to establish whether the competitive climate had been affected by the publication in 1985 of BT's 'Competitive Marketing Guidelines'. Nearly 900 interviews were carried out with a wide range of users and suppliers of apparatus. At the end of the year the Director General was considering Inbucon's report, with a view to publishing a summary with his comments on future action.

PBX enhancements

2.31 Representations were made to OFTEL about the apparent inhibitions to competition in the supply of enhancements to PBXs, in particular about the difficulties experienced in obtaining tenders for enhancements from companies other than the original supplier of the PBX. The issues raised by the complaints were discussed with suppliers of telecommunications apparatus, and with organisations representing users of telecommunications apparatus and services. A number of factors were identified which could inhibit suppliers from tendering for extensions to a system originally supplied by another company, and suppliers were concerned that they should not be burdened with regulations which forced them to undertake uneconomic activities, particularly in a rapidly developing market. On the other hand there was a similar degree of concern on the part of users about the unduly restricted choice available to them. At the beginning of October, therefore, OFTEL commissioned Butler Cox and Partners Limited as consultants to advise on ways of increasing competition in the supply of enhancements to PBXs, and in particular to examine whether a voluntary code of practice could be expected to improve the position. A report on this study will be submitted early in 1987.

Merger references

2.32 Following the decision by the Secretary of State to allow BT to acquire a controlling interest in the Mitel Corporation only if BT agreed to a strict limit on its sales in the UK of apparatus produced by Mitel, the Director General advised and assisted the Director General of Fair Trading in obtaining appropriate undertakings by BT. These deal directly with levels of purchases from Mitel, and include fair trading provisions covering BT's relations with Mitel and other apparatus suppliers. The merger also strengthened the need for other actions by OFTEL to promote effective competition in the supply of apparatus, such as the Inbucon survey (see para 2.30), the introduction of revised terms governing the installation and maintenance of wiring (see para 2.37), and the active monitoring of the conditions in BT's licence that prevent cross-subsidisation of its apparatus supply business.

2.33 The Director General also gave evidence to the Monopolies and Mergers Commission (MMC) to assist in their investigation of the proposed takeover by GEC of Plessey. The MMC were obliged to examine the full range of activities of both companies, not simply those in the telecommunications sector. However, the recognition of strong benefits from the merger of the businesses manufacturing public switching systems, including System X, was in line with the Director General's evidence.

Maintenance of Call Routing Apparatus

2.34 Major developments occurred during 1986 in BT's policies on the maintenance of Call Routing Apparatus (CRA). In the course of discussions on

wiring (see below), BT agreed that it would in future be willing to maintain new CRA which it had not itself supplied, provided that the apparatus was of a type which the local district was equipped to maintain. This represented a major step towards fairer competition in the supply of PBXs, since it enabled more people to continue renting wiring from BT whilst buying equipment elsewhere. There had previously been many complaints that BT's practice of refusing to maintain apparatus which it had not supplied gave it an unfair advantage in apparatus sales.

2.35 BT also agreed later in the year to offer maintenance services for second-hand CRA which it had originally supplied and for which it was the sole maintainer. Previously, decisions on maintenance of used equipment had been left to local discretion, and the uncertainty this caused was having a detrimental effect on the market for used equipment, because customers were reluctant to buy equipment unless they were certain it could be connected to the public network (for which a maintenance contract is necessary). BT's commitment was welcomed by the Director General, as was its statement that it would not wish to stand in the way of others seeking to gain approval to maintain such equipment.

Maintenance and sale of extension wiring

2.36 During 1986 discussions continued with BT about matters relating to the use and ownership of internal extension wiring. The discussions were the result of the many complaints OFTEL had received about the adverse effect on competition of BT's practices. Major steps were taken towards ensuring that wiring need no longer be a factor distorting competition in apparatus supply.

2.37 Customers buying existing integrated wiring systems (systems containing both wiring for network services and wiring for extensions) from BT will no longer have to pay an immediate lump sum for reprovision of network services wiring. BT agreed to alter its method of charging so that the new wiring was provided without additional charge, and the customer paid only the standard retermination/relocation charges for existing direct services and standard connection charges for new exchange lines as and when required. The level of the previous charges had acted as a disincentive to the purchase of wiring and hence to maintenance contracts with suppliers other than BT.

2.38 A further cause for concern had been that customers who continued to rent wiring from BT did not need to spend any additional money to bring it up to current standards when installing a new PBX system, while customers purchasing their wiring might have to spend significant sums in making it suitable for use with a new system. It was widely felt that this was another factor favouring the continued rental of wiring, thereby giving BT an advantage in the sale and maintenance of call routing apparatus. After discussion, BT decided to introduce charges for customers who continued to rent wiring when it required upgrading, hence putting renting and buying on an equal footing.

2.39 Finally, discussions were held with BT about its scales of charges for buying wiring, to ensure that they were fully consistent with the obligation in Condition 43 of its licence that the sale price should be reasonable in relation to the charges that would have applied had the customer continued to rent the wiring. Criticism had been directed at the relatively high prices charged for older wiring, and the fact that BT charged full price for spare pairs of wires not being used by the customer. New charging scales introduced in December were fully consistent with the licence requirements, and have led to a significant reduction in the cost of buying wiring for many customers.

2.40 The combined effect of these measures should greatly improve the competitive climate for apparatus supply in 1987.

Advertising in telephone and telex directories

2.41 Several complaints were received during 1986 about BT's policy in relation to advertisements in telephone and telex directories. BT had been including advertisements for its own telecommunications products and services while refusing to accept similar advertisements from competitors. The complainants argued that the directories were an adjunct of services in which BT has a strongly dominant position, and that BT's advertising policy amounted to the use of its dominant position to give it an unfair advantage over its competitors.

2.42 OFTEL took these complaints up with BT and called for it to modify its policy. In future, BT will exclude advertisements for its own telecommunications products and services from telephone or telex directories. However, it will continue to include advertisements in telex directories for ancillary products—eg ink ribbons and paper rolls—from any advertiser.

2.43 OFTEL accepted that BT should continue to include enough information to enable customers to find out how to use its services, but this will be done in a way which does not imply exclusivity in areas where competition exists. A clear statement will be included at the beginning of any information section of the directories, to the effect that some of the products and services mentioned may be available from other sources.

Other matters affecting competition

2.44 During the course of the year, OFTEL received complaints about a number of other matters which could affect the development of competition in the supply of telecommunications services or apparatus. These included:

- representations that delays in the installation of master sockets by BT could adversely affect the businesses of some suppliers of telecommunications apparatus (see Section 3);
- complaints raising a number of complex technical questions in relation to the boundary of BT's network;
- complaints that the charges for BT's Telex Plus service (a service which offers a number of 'value-added' features to telex users) did not cover the costs of the service, which was therefore competing unfairly with independent providers of value-added telex services.

2.45 Work is continuing on several of the issues raised by these complaints.

NON-PTO LICENCES, APPARATUS AND CONTRACTOR APPROVALS AND STANDARDS

Branch Systems Licences

3.1 The licensing of private telecommunication systems connected to public systems continued to generate large numbers of enquiries to OFTEL during 1986 from businesses, local authorities, universities and other operators seeking to update or replace existing systems or to install new ones. The 1984 Class Licence for the Running of Branch Telecommunications Systems (BSGL) was intended to cover the majority of such systems, but because of its complexity many operators were unclear about its provisions. OFTEL's examination of these representations showed that many of the private systems continued to fall outside the provisions of the BSGL. They were therefore considered in the light of the Ministerial guidelines set down in 1984 which involved assessment of how far proposed uses of private circuits would enhance the economic performance or business efficiency of a closed user group. As a result, 64 new individual branch systems licences were the subject of recommendations by OFTEL to the Secretary of State in 1986 together with 36 individual licence renewals. A list is at Appendix 4. Three licences were revoked during the period, with the agreement of the licensees.

3.2 When examining private network proposals, OFTEL kept under review the possible need to modify the conditions of the BSGL and explore the scope for further liberalisations. The 101 licences issued in 1986 included 38 allowing PSTN traffic to travel within a private network over more steps than the number permitted in the BSGL. However, in many cases technical problems associated with the need to maintain call quality prevented operators from taking full advantage of these licences. A further 18 of the licences permitted a limited extension of the 50 metre limit in the BSGL on privately-provided wiring between different premises owned by an operator. Other licences relaxed some of the rules laid down in the BSGL for the interconnection of private networks run by different operators. This in turn highlighted the need under the current system for parallel licensing of third parties to reflect the permissions for third party connection granted in another operator's licence. It was against this background that work on the revision of the BSGL, begun in 1985, went forward in 1986.

3.3 Because some of the individual licences might become redundant in the face of a more liberal BSGL, and because it was clearly desirable that those which remained should be expressed in terms consistent with a revised BSGL and with the new Class licence for Value Added and Data Services, the practice of issuing short term 'temporary' licences continued in 1986. Ninety-four of the licences issued in 1986 were of this type.

3.4 In addition to responding to licence applications initiated by private network operators, OFTEL continued to check with operators of systems licensed by BT and the Post Office before the 1984 Act so that these might be brought within the framework of the 1984 legislation. To enable these systems to operate legally, pending the issue of replacement licences, an Order was laid before Parliament by the Secretary of State which extended until up to August 1989 the validity of those pre-1984 Act licences which had not expired or been revoked. Most of these licences are due to be superseded by various class licences now being prepared by the DTI. In addition, at the end of 1986, 73 licensees remained to be contacted by OFTEL to see if their pre-1984 systems would conform to the BSGL or whether individual replacement licences would be needed.

Revision of the Branch Systems General Licence

3.5 Much of the demand demonstrated by requests for individual licences will be reflected in the advice of the Director General, largely formulated during 1986, on revisions to the BSGL. In July 1986 OFTEL issued a public consultative document containing proposals for a revised BSGL.

3.6 The revision proposed two major relaxations to the existing licence. It envisaged removal of restrictions on the conveyance of public network traffic

through a private network, other than restrictions necessary to maintain the technical quality of transmission, and it proposed that licensees should be able to run their own wiring between different premises up to a length of 200 metres instead of the 50 metres contained in the existing licence. The proposals also suggested removal of several ambiguities in the existing licence, including clarifying the rules relating to international private circuits.

3.7 With the consultative document, OFTEL issued for the first time, though in draft form, an explanatory guide to the BSGL. The proposals that the document contained, and the clarification of the text of the licence in the guide, were generally well received. Many helpful suggestions were made during the consultative period and OFTEL undertook a series of further discussions on these during the Autumn of 1986. An important area considered during these discussions was the question of connection and maintenance of Call Routing Apparatus (CRA). Several further relaxations in this area will be proposed when the Director General submits his advice to the Secretary of State early in 1987. During the Autumn of 1986 OFTEL worked closely with DTI to ensure that work on the BSGL proceeded in step with work on the Value Added and Data Services Licence (see para 3.8). Advice which will be submitted to the Secretary of State in 1987 will provide for consistency of approach between these two licences.

Licensing of Value Added Networks

3.8 During 1986, OFTEL advised the DTI on various matters relating to the introduction of the new licence for the running of telecommunication systems providing value added and data services (VADS), as proposed in a revised consultative document issued by the DTI in December 1985. This document suggested a single class licence authorising all value added services and all basic conveyance services except voice and telex. This would be applicable to all but PTOs, members of their groups and associates.

3.9 In March 1986, the DTI announced that the proposals set out in the December 1985 document would form the basis of a single class licence of 12 years' duration. Authorised services under this licence would have to be conveyed between premises by means of fixed links provided by PTOs, and simple resale (as defined in PTOs' licences) would continue to be prohibited. In order to keep the provisions of the licence as simple as possible for small service providers, it was decided that conditions relating to fair trading and the provision of services to OSI standards would apply only to those capable of distorting competition in the VADS market. It was decided that these obligations should apply to those service providers whose relevant service turnover exceeded £1m or whose group turnover exceeded £50m, with the Director General of Telecommunications being given the power to vary these figures in the light of experience. The aim was to have a new licence in place before 6 August 1986 at which time the existing 1982 VANS General Licence was due to expire.

3.10 In July 1986 the DTI issued a draft of the VADS class licence. This incorporated fewer restrictions than the BSGL on the routing of messages within the networks of VADS service providers and those of their customers. For all authorised services provided for a fee, and for uncharged data services, the draft proposed that there should be (with minor exceptions) no restriction on the routing of such messages in respect of the use of private circuits linking service provider and customer. Where a system run under the VADS licence is used to provide other services, the routing of messages by means of private circuits would be subject to restrictions similar to those in the BSGL.

Wide Area Radiopaging

3.11 At the beginning of the year the Director General recommended for licensing five applicants who wished to run nationwide radiopaging networks in competition with BT. Ministers accepted his advice and in the course of 1986 temporary licences were issued to three of them who wished to start transmissions straight away.

Other Non-PTO Licences

Non-PTO cable systems

3.12 In December 1986, the preparation of a pro forma licence for the running of Satellite Master Antenna Television (SMATV) systems serving more than one set of premises was completed. The Director General has the function of advising the Secretary of State on the issuing of these licences.

3.13 The Director General was consulted about three related class licences which were issued on 25 November 1986. They allow:

- (i) the running of broadcast relay systems;
- (ii) the running of SMATV systems situated in single buildings;
- (iii) the connection of reception apparatus to those systems.

3.14 During the period of this report 22 individual applications for licences for SMATV systems were referred to OFTEL for advice. This is 15 more than in 1985 and indicates a growing interest in SMATV. This was also reflected in a significant increase in the number of enquiries concerning SMATV licensing. Because the pro forma licence was issued in December, only one licence was issued during the year.

3.15 Seven complaints about SMATV systems were dealt with. They related either to inadequacies in picture quality, or to the general standard of service provided by the licensee. OFTEL advised the Cable Authority on 18 applications for diffusion service licences under the Cable and Broadcasting Act 1984.

Provisional Network Code of Practice

3.16 The proposal that the new BSGL should relax restrictions on the routing of PSTN traffic over private circuits means that, for the first time, technical criteria governing such PSTN traffic can be defined separately from those routing restrictions. During 1986 OFTEL worked to define these technical requirements, in consultation with an Advisory Group on which PTOs, industry and user groups were represented. This resulted, in December 1986, in the publication of OFTEL's 'Provisional Code of Practice for the Design of Private Telecommunication Branch Networks' which contained the results of the work of the Advisory Group. After a period of practical experience, it is expected that certain provisions of the code of practice will be made obligatory. Observance of these provisions will allow users of private branch networks to take maximum advantage of the proposed relaxation of routing restrictions, whilst continuing to protect the integrity of services provided by the public networks. Observance of the code of practice will also ensure that PTOs can continue to meet the UK's international obligations through CCITT.

3.17 As well as containing mandatory requirements that will be applied to public network traffic the code of practice also specifies design criteria which should be met for other traffic if satisfactory telephony service is to be achieved. When the code of practice is finalised its mandatory requirements will be given legal force. The Director General will exercise his power to lay down technical requirements under the appropriate condition in the BSGL. It was not possible during 1986 to put the code of practice into full effect. This was because its application in practice depends upon the use of information derived from the process of approving apparatus used within a network. That information is not yet available because the relevant approval requirements are incomplete. Therefore during 1986, OFTEL also set up a small working group to fill this gap by producing interim standards for PBX ports. Its work has been linked closely to the work on the code of practice. These standards will allow PBXs to be approved to carry PSTN traffic across a network. They will require values of the transmission impairments introduced by the use of a PBX to be determined. Knowledge of these values is essential for the calculation of total impairments across a network so that compliance with the code of practice can be demonstrated. By December 1986 the working group on ports standards had produced its first consolidated draft, and it was expected that the first standard would be issued early in 1987.

Approvals

3.18 On 1 December 1986, the Secretary of State authorised the Director General to approve telecommunications apparatus and maintenance contractors and to designate standards. Until that date, OFTEL continued to advise DTI on these approvals and designations. In his statement welcoming the authorisation, the Director General emphasised the need to ensure that the approval process should not inhibit innovation and enterprise and that he intended to review all aspects of present procedures to ensure that they were as effective as possible. To this end a working group was set up in November 1986, chaired by OFTEL, to examine existing approval procedures and to explore the extent to which more direct involvement in the testing of apparatus by suppliers could be introduced without damage to the integrity of the approval system.

Apparatus approvals

3.19 In 1986, 913 type-approvals of apparatus were granted. All type-approvals were made on the basis of technical evaluations performed by BT or the British Approvals Board for Telecommunications (BABT). Of the 913, 887 were the subject of recommendations from OFTEL to the Secretary of State and the remaining 26 were granted by the Director General following his being authorised by the Secretary of State on 1 December. In addition to the type approvals, 330 site-specific approvals were granted. A substantial number of these were for field trial evaluation of various items of, or enhancements to, Call Routing Apparatus, or for test and development and/or exhibition demonstration of otherwise unapproved apparatus. Several others were in respect of call-recording where the user wished to remove the warning tone and it was judged that this was acceptable. Almost all the site-specific approvals were granted before 1 December by the Secretary of State, on the Director General's advice.

3.20 No approval was withdrawn but 631 variations to approvals were made during the year either by the Director General or, on his advice, the Secretary of State. Fifty-one of these were made because the approval holder no longer wished to supply the type of apparatus concerned. Such approvals remain in force only in respect of existing installed apparatus. Of the remaining variations, the great majority were in respect of apparatus enhancement, or reflected the successful completion of testing of products which were initially approved under BABT's interim approval arrangement.

Contractor approvals (maintenance)

3.21 The Government's programme for the liberalisation of competitive maintenance of new installation of Call Routing Apparatus was completed during the year, when the last of the qualifying dates, specified in the Government's announcement of July 1983, was reached. These dates were 1 July 1986 for the maintenance of new automatic call distribution equipment, and 1 November 1986 for new plan sets and other new apparatus not previously specified in the programme.

3.22 Between 1 January 1986 and 30 November 1986 the Secretary of State granted 96 approvals under section 20 of the Act to independent contractors wishing to maintain items of Call Routing Apparatus. All of these approvals were given on the Director General's advice. From 1 to 31 December 1986, the Director General granted a further eight approvals under the authorisation given to him by the Secretary of State on 1 December 1986. Fourteen approvals were withdrawn without re-issue during the year; one by agreement with the contractor concerned, the remainder because the four contractors concerned lost their registration with the British Standards Institution (BSI). Two variations of substance were made to approvals.

3.23 Each contractor is granted a separate approval in respect of each of the models of Call Routing Apparatus he is approved to maintain. On 31 December 1986 there were 255 approvals in force, held by 57 contractors in respect of 93 models of Call Routing Apparatus.

Standards

3.24 Apparatus is approved in the UK by testing against regulatory standards. Although innovative products often require the drafting of special specifications, the core of apparatus approval involves testing against British Standards produced by the BSI. During 1986 an OFTEL Committee chaired by Major General A C Birtwistle has been examining the role of these Standards and the potential for change to speed up the production of standards and to decrease the time and money spent on testing against them. The Committee submitted its report to the Director General towards the end of 1986. The Committee's task was arduous, and the difficulties encountered in the examination they undertook were reflected in the minority reports which were included with the report of the Committee. Because the issues raised by the report are of fundamental importance to the structure of the approvals regime and in view of the lack of consensus achieved by the Committee the Director General will seek public views on the report during 1987.

3.25 The production of standards and the testing of apparatus approval in the UK needs to take account of developments within Europe. In June 1986 the EC Directive 86/361 for the mutual acceptance of the test results was agreed. The Directive will come into force in July 1987 and after that date apparatus tested against European standards (NETS) by any suitably accredited laboratory in Europe will not need to be tested again against that standard in any other European country. During 1986 OFTEL has been working with DTI, which has responsibility for international aspects of telecommunications, giving advice on the approval issues that arise as a result of the Directive. During 1986 a list of the first nine NETS which will be produced during 1987 has been agreed. When these are produced they will take the place of relevant British Standards. During 1986 OFTEL has been monitoring the UK work on producing inputs to these NETS.

General

Liberalisation of extension sockets

3.26 In September the Director General advised the Secretary of State that from 1 December 1986 telephone users and independent contractors should be permitted to install extension telephone sockets and their cabling, and to plug them into the public telephone networks, in systems that already have new-style master sockets. The Director General gave his advice after extensive discussion with representative organisations, including trade associations. He concluded as a result of the discussions that the liberalisation of extension sockets would be in the interests of greater competition in the telecommunications industry.

3.27 At the end of 1986, the extension of liberalisation to include the installation of the master socket, through which telephones are linked to the exchange line, was still under consideration.

The Telecommunication Apparatus Marking and Advertising Orders

3.28 During 1986, OFTEL monitored suppliers', distributors' and advertisers' compliance with the Telecommunication Apparatus Marking and Advertising Orders: fewer instances of non-compliance were brought to OFTEL's attention during the year than previously. Advice was also frequently given on the provisions of the Orders, and of those of the Cordless Telephone Order which is due to come into force in early 1987, to suppliers, distributors, advertisers and trading standards officers. An explanatory brochure on the provisions of the orders, including a brief outline of the proposed Cordless Telephone Order, was published by OFTEL in September and is available free of charge from the library.

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

3.29 The Working Group on Telecommunications for the Hearing Impaired (WGHI) advises and assists the Director General, sometimes in conjunction with the Advisory Committee on Telecommunications for Disabled and Elderly

People (DIEL), on the needs of hearing impaired people. Included in its membership are experts familiar with telecommunications manufacturing and research.

3.30 The Group's Code of Practice for the magnetic coupling of telephones to hearing aids, published by OFTEL early in the year, was subsequently adopted by BSI as a draft British Standard.

3.31 With funding from BT and the Department of Health and Social Security, the Group's research project into identifying the optimum means of coupling the acoustic output from telephones into hearing aids got under way in 1986. Work also started about the same time on a recommendation for a handset amplifier, and in drafting proposals for documenting technical guidance on line status indicators. The preparation of a Guide to the Requirements for Text Communication Equipment for Use by the Hearing Impaired and Others was near to completion at the end of the year. The Group has also been studying the packaging, labelling and identification of telecommunications apparatus. During 1986 the Group established relationships with both the Telephone Managers Association and the Manpower Services Commission, and, with these organisations, intends to increase the awareness of those in the telecommunications industry who are responsible for providing information and apparatus about the problems of the hearing impaired.

Telephones in lifts: arrangements for the hearing impaired

3.32 In April, OFTEL issued an Update notice to remind organisations with lifts in their buildings to which the public have access that, under the BSGL, a telephone installed in such a lift and able to make calls over a public telecommunication system must be capable of being inductively coupled to hearing aids with appropriate designs. During the year, OFTEL dealt with several enquiries on the types of suitable telephones.

CONSUMER AFFAIRS

Codes of Practice

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

Code of Practice for Consumer Affairs

4.2 MCL began to provide switched voice telephony services in 1986. It is required by its licence to publish a Code of Practice for Consumer Affairs, which clearly sets out consumers' rights and the sort of service they may expect. Discussions have taken place with MCL on the first draft of its Code of Practice.

Land Mobile Radio Code of Practice

4.3 Discussion on BT's Codes of Practice for Radiophone and Radiopaging Services were concluded and the Codes were published during the year.

Confidentiality of Customer Information

4.4 During 1986 discussions were concluded with MCL and Hull, who published their Codes of Confidentiality of Customer Information following approval by the Director General. The purpose of the Codes is to prevent a PTO gaining an unfair commercial advantage over its competitors, because its staff working in the main telephone business have access to information about customers which might create selling opportunities for its apparatus supply business.

Arbitration arrangements

4.5 Discussions were concluded with BT and the Chartered Institute of Arbitrators on a revised set of arbitration procedures which are now in operation for disputes, between BT and its customers, involving sums of up to £1,000 and where no complicated issue of law is involved.

4.6 With the entry of MCL to the switched voice telephony services market in 1986 discussions were also concluded on arbitration procedures for disputes, between MCL and its customers, not involving a sum greater than £5,000 and where no complicated issue of law is involved.

Telecommunications Code

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

4.8 The main areas of concern to residential and small business users of telecommunication services and apparatus are reflected in the representations made to OFTEL and the four national Advisory Committees on Telecommunications (ACTs). Figures for 1986 show an increase of approximately 56 per cent in the number of complaints and enquiries received by OFTEL and the English Advisory Committee on Telecommunications (ENACT) (which account for the large majority of such representations in the UK) over the corresponding period for 1985. It seems likely that at least some of this increase can be accounted for by greater public awareness of OFTEL and by the rapidly changing telecommunications scene. Consumer concern has centred mainly around disputed accounts; quality of service; charges/rentals; deposits; and collection of accounts.

4.9 OFTEL continues to monitor these areas carefully in order to ensure that

*Complaints about
Telecommunication
Services*

the conduct of the PTOs is not detrimental to consumer interests. The Director General has reiterated his commitment to taking action if he finds there have been abuses of a monopoly position.

Public Call Box Services

Reliability

4.10 The terms of BT's licence require it to provide a public payphone service to meet all reasonable demands. OFTEL continues to receive a number of complaints covering most aspects of the service, principally about unserviceable call boxes. The results of the OFTEL quality of service survey (see paragraph 4.15), conducted in conjunction with Telecommunications Advisory Committees (TACs), were published in November and, taken together with the results of the 1986 surveys carried out by NOP on OFTEL's behalf, show that the call box service continues to give cause for concern. More evidence will be collected during 1987 to establish whether or not BT has failed to meet any of its licence obligations to provide services at call boxes.

Maintenance

4.11 There is still concern at the response to faults at public call boxes, particularly in situations where they remain out of service at weekends. OFTEL will monitor the effect of the introduction of the premium maintenance scheme to ensure that the basic maintenance service does not deteriorate.

Modernisation

4.12 BT has continued its payphone modernisation programme and, as part of this programme, increasing numbers of phonocard call boxes are being installed. These call boxes are seen partly as a counter to vandalism. Much damage to call boxes is motivated by theft and the elimination of cash makes the call box unattractive to thieves. As the programme progresses and public acceptance of the phonocard increases, more of these call boxes are being installed at sites which do not have a history of vandalism. The phonocard public call box does seem to provide a more reliable service, and the Director General therefore welcomes its increasing use. However, some people dislike phonocard boxes and the Director General therefore expects BT to ensure that sufficient cash payphones are available to provide users with a choice and to take particular care about the rate of conversion. While in some urban areas phonocard and cash payphones are being installed on the same site, some cash payphones at stand-alone suburban sites are being replaced by phonocard call boxes with no cash payphone nearby. While vandalism might make this necessary in some instances, it is considered that BT should take account of local wishes at those sites where vandalism is not a problem. BT is also expected to give a clear indication at such call boxes of the site of the nearest cash payphone.

4.13 As stated above, public reaction to phonecards remains mixed, due mainly to difficulties experienced by users (particularly by infrequent users of payphones) in locating a shop selling phonecards when they want to use a payphone, especially if this is out of normal shop hours. BT is endeavouring to minimise this problem by recruiting outlets which are open for longer or later hours. Some payphone users object to having to pay for a block of calls in advance: the minimum card value is now a 10-unit card costing £1. But many regular payphone users find these call boxes much more convenient because they obviate the need to carry around large amounts of coin, and, as indicated above, phonocard callboxes probably offer a more reliable service.

4.14 OFTEL will continue its close monitoring of public call box services.

4.15 1986 saw a considerable development in OFTEL's work in measuring the quality of telephone services. The use of NOP's Random Omnibus Surveys, started in 1985, continued with four surveys during the year asking questions about the domestic telephone service and public payphones.

Quality of Service

4.16 The major developments during the year were the two surveys conducted for OFTEL by TAC members during April and May. Over 750 volunteers recorded details of their domestic phone calls over a 4-day period, reporting nearly 8,000 calls. A further 600 volunteers monitored between two and six call boxes in their area for four consecutive days. Over 7,000 calls were attempted from 1,810 call boxes.

4.17 In November the results of these surveys were published in the first of what is intended to be an annual series of quality of service reports. The report included information on representations received by OFTEL and the national ACTs concerning telecommunication services, comparisons with data from other sources on the quality of service, and discussions of OFTEL's future work in this area. The report suggested that between three per cent and four per cent of calls failed due to system problems and a further six per cent were judged to be of unsatisfactory quality due to noisy or faint lines. These estimates are very similar to those produced by the Consumers Association since 1969. The payphone study suggested that around 20 per cent of call boxes were out of order at any one time though the sample may not have been fully representative of all geographical areas of the country. The NOP survey indicated that the majority of the population (72 per cent) felt that the domestic telephone service had neither improved nor declined since privatisation; approximately equal numbers felt it had improved, or that it had deteriorated.

4.18 The data collected in 1986 will provide a basis of future OFTEL work on quality of service. In 1987 there will be some refinement of methods of collecting data, especially relating to fault repair, directory enquiry and payphone services. The work will also extend into the measurement of the quality of business services.

4.19 During 1986 the Secretary of State granted recognition under section 27 of the Act to a further three TACs as representing the interests of local telecommunications users. This brought the total network of TACs throughout the United Kingdom to 167. OFTEL maintains communications with all these committees through 'Newslines' a regular news sheet summarising OFTEL's activities from the consumer standpoint, and through day-to-day contacts between OFTEL's Consumer Affairs Section and committee officials. OFTEL officials also attended several regional meetings of TAC Chairmen during the year.

4.20 Many TACs were involved in the quality of service survey undertaken by OFTEL during the year (see paragraph 4.16). Collectively they also provided much valuable information to OFTEL on many telecommunications issues, including the effectiveness of BT's Code of Practice for Consumers.

4.21 The Director General values the work of the TACs highly as a ready means of providing direct links with local telecommunications users. It is a disappointment to the Director General that several areas of the country, most notably large parts of London and the Home Counties, are poorly represented in this way. Efforts are being made to encourage the formation of new TACs to fill these gaps.

Liaison with Local Advisory Committees

INFORMATION AND PUBLICITY

Statutory Registers

5.1 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.

5.2 At the end of 1986 the register of licences numbered 117. A list of non-PTO licences added to the register is at Appendix 4.

5.3 The approved contractors' register consists of particulars of contractors approved by the Secretary of State since 5 August 1984. 255 contractor approvals were in force at 31 December 1986. Details of the 1986 approvals for contractors are given in Section 3.

5.4 The approved apparatus register includes documentation on individual items of apparatus approved by the Secretary of State since 5 August 1984 and by the Director General since 1 December 1986. Also included are particulars of apparatus approvals issued under the British Telecommunications Act 1981 prior to 5 August 1984. At 31 December 1986, 6,807 approvals were in force. Details of 1986 approvals for apparatus are given in Section 3.

5.5 During 1986 key particulars of apparatus approvals and contractor approvals continued to be entered on computer to facilitate the handling of public enquiries. A total of 598 such enquiries were made in 1986. All registers are available for public inspection at OFTEL's Library between 10 am and 4 pm on normal working days.

Publications

5.6 During 1986 OFTEL produced 17 new publications, covering the whole spectrum of its work. Booklets and leaflets published during the year included technical advice notes distributed to the telecommunications industry, consultative documents, and publications for consumers. The booklet 'Choosing and Using Telephones', published as an independent source of advice for people buying or using telephones, and the leaflet 'The Cost of Telephone Calls', a guide to BT's price changes, were made available to the public through displays in Crown Post Offices. The newsletter 'OFTEL News', launched in December 1985 to keep the telecommunications industry up-to-date with developments in OFTEL, is now distributed to a mailing list of over 15,000 each quarter. Six issues of 'Newslines', an information sheet for local telecommunications advisory committees, were distributed during the year.

5.7 The Director General published the following 'Statements' and 'Reports' during 1986:

May —Director General's Statement about new British Telecom policy on wiring and maintenance.

November—Report on quality of telecommunication services.

November—Review of British Telecom's tariff changes, November 1986.

A full list of publications issued by OFTEL during 1986 is at Appendix 5 to this Report.

Conferences, Seminars and Exhibitions

5.8 To further its aim to keep both the telecommunications industry and the public informed about its work, OFTEL staff participated in many conferences and seminars designed to spread greater understanding of regulatory changes and technical requirements. In March OFTEL exhibited at the Northern Ireland Advisory Committee on Telecommunications' joint seminar with the Post Office Users' Council for Northern Ireland. A conference held at Llandrindod Wells in April launched the report 'Telecommunications in Mid-Wales', commissioned by OFTEL in conjunction with the Wales Advisory

Committee on Telecommunications. In association with the Scottish Advisory Committee on Telecommunications OFTEL jointly sponsored with the Highlands and Islands Development Board a report on Telecommunications in the Highlands and Islands. The report was presented in September at a conference held in Inverness.

5.9 OFTEL took exhibition stands at the following events for the telecommunications industry during the year:

March	Business Telecom '86, the Barbican Centre, City of London.
—	What Telephone and Communications Show, Novotel, Hammersmith.
April	Communications '86, National Exhibition Centre, Birmingham.
October	Annual Conference of the Telecommunications Managers Association, Metropole, Brighton.

OFTEL also publicised its activities to consumers by exhibiting at the following events:

April	Consumer Congress, University of Newcastle.
June	Bath Consumer Exhibition, Shepton Mallet.
September	Aberdeen Ideal Home Exhibition.

Press and Broadcasting

5.10 The Director General was able to take advantage of many opportunities to broadcast on radio and television during the year. The wide variety of programmes on which he was invited to appear enabled him to keep the telecommunications industry and the general public informed of his policies and his work. Broadcasts included 'Today', 'You and Yours', 'PM', all on Radio 4, 'The Jimmy Young Show' on Radio 2, 'Newsnight' on BBC2, and 'The Business Programme' on Channel 4 (twice). He also broadcast many times during the year on local radio stations. OFTEL's senior staff have also appeared on the consumer programmes 'For What It's Worth' produced by Thames Television and 'This Is Your Right' produced by Granada Television.

5.11 OFTEL's activities and policies were comprehensively covered by the national, regional and technical press during 1986. Thirty-eight press releases were issued during the year, and together with many interviews given to the press by the Director General these have ensured regular coverage of OFTEL's work.

Oftel Library

5.12 The Library's main functions are to provide an information service to OFTEL staff and to act as a sales point for licences and other OFTEL publications. However, the Library is also available to the general public for reference purposes and for consultation of the public registers of approved apparatus, approved contractors and licences.

5.13 The Library specialises in material on telecommunications, consumer affairs and competition policy. Regularly-updated bibliographies are produced relating to these subjects. The Library also publishes a list of OFTEL publications.

5.14 During 1986 over 6,500 enquiries were answered, over 500 people visited the Library and 2,720 publications were sold.

TECHNICAL ACTIVITIES

6.1 1986 was a year of rapid growth for the Technical Directorate. The Assistant Technical Director was appointed in March, followed in April by the Head of the Casework Section. In view of the difficulty of obtaining appropriately qualified staff from within the Civil Service, one full-time and five part-time consultants have been recruited during the year. Their experience includes work for BT, Cable and Wireless, GEC and STC and their contribution to the activities of the Directorate has been of great value.

6.2 As a result of the growth in the staff resources, it has been possible to establish routine procedures for providing technical support to OFTEL, and the Technical Directorate has taken the management responsibility for technical consultants who previously were working directly for these other Branches. The concentration of technical resources within a single Directorate will facilitate the exchange of technical information. During the year the staff of the Directorate gave substantial advice on some 60 cases of complaints against PTOs, on a number of policy issues which have arisen in connection with the PTO licences, and on various technical issues related to the approval of apparatus. The most notable case handled during the year was an investigation of the technical constraints which BT claimed had led to the substantial rise in the tariff for local calls in the peak period.

6.3 The work of the Standards Section has continued with its staff attending most of the TCT series of standards meetings at the BSI and also those committees concerned with the lower levels of Open Systems Interconnection (OSI). This involvement has helped to ensure that the standards developed in BSI match the current licences and are compatible with future developments in the regulation of telecommunications.

6.4 The two major areas of work during the year have concerned the proposed class licence for Value Added and Data Services. As a result of the DTI's policy to promote the use of OSI standards, the licence will include a Condition requiring all licensees above a certain size to provide means of access to their services which conform to OSI standards. The Director General will be given the task of selecting and specifying these standards. The Directorate contributed to the drafting of this Condition and in July it published a paper describing how the Director General proposed to fulfil these responsibilities.

6.5 The other major area of work concerned the numbering of Value Added and Data Services. As a result of the Directorate's work, the Director General gave advice to the Secretary of State to include a condition on numbering in the VADS licence, and a paper giving details of the way in which numbering arrangements should develop has been prepared and will be published when the VADS Licence is issued.

6.6 The amendments to the PTO licences dealing with the way they provide VADS also contain conditions on OSI and numbering and the Technical Directorate contributed to their preparation.

6.7 The progress of the Directorate has been affected during the second half of the year as a result of the prolonged absence of the Technical Director following a heart attack. He has made a good recovery and has returned to work on a part-time basis.

REPORTS OF ADVISORY COMMITTEES

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

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

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



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



*Mr G C C Duncan,
Chairman of the
Scottish Advisory
Committee on
Telecommunications*



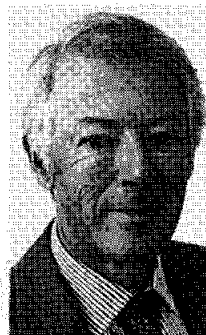
*Professor J R Webster,
Chairman of the
Wales Advisory
Committee on
Telecommunications*



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



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



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

Introduction

7.4 The English Advisory Committee on Telecommunications met on six occasions during the year and was pleased to welcome the Director General of Telecommunications or his Deputy to each of these meetings. Two members, Mr Michael Lacey and the Countess of Mar, resigned from the Committee before the end of the year due to pressure of other commitments and we wish to record our thanks to them for the valuable contributions which they made to our early discussions. A list of members of the Committee as at 31 December 1986 is annexed to this report.

Advice to the Director General

7.5 The Committee considered a wide range of telecommunications matters, and submitted its views and comments on them to the Director General, in the course of the year. Among the main matters considered were the structure of local advisory committees (TACs), the effectiveness of British Telecom's Code of Practice for its customers, the methods of charging for AccessLines and private circuits (leased lines), the development of quality of service indicators, the proposed revision of the Branch Systems General Licence and British Telecom's tariff changes introduced in November.

7.6 In addition to examining ways of improving the coverage and effectiveness of TACs, the Committee gave much thought to the extent to which it might develop its own links with those bodies. Since, however, OFTEL already had regular communication with them it seemed wiser to the Committee to rely on the Secretariat to continue to channel views and concerns in both directions, so long as this produced satisfactory results. Members of the Committee participated in a number of regional meetings of TAC Chairmen during the year, and the effectiveness of the TAC network will be kept under constant review.

7.7 The Director General advised us that he intended to carry out a review of British Telecom's Code of Practice for Customers during 1987. We therefore took the opportunity to advise him of several improvements which might usefully be made in order to assist customers. In particular, we pointed out a number of discrepancies or omissions reflecting changes in telecommunications practice since the Code was first published in November 1984. We also felt that the existence of the Code was not widely appreciated amongst the public and suggested that the revised version should be given greater publicity and placed more prominently in telephone directories.

7.8 The Committee responded to OFTEL's consultative document on methods of charging for AccessLines and private circuits, in which three alternative methods of charging were examined. We were strongly of the opinion that charges for AccessLines and leased lines should be related as nearly as possible to the actual costs of providing these services to the greatest number of users. We therefore preferred the method of charging based on a mixture of direct and indirect distance for most customers.

7.9 Quite rightly, in our view, OFTEL has been anxious to develop indicators of the quality of telecommunication service in the United Kingdom. We have followed closely the steps taken to establish such indicators and are anxious that TACs should be able to play a full part in this programme. Nevertheless we recognise that it will take some time to establish meaningful and regular measures of service quality. To some extent, the complaints received from the public by OFTEL are such an indicator, and we therefore devoted attention to a range of issues brought to our attention by the Secretariat arising from such complaints. A summary of the complaints received by OFTEL and reported to ENACT by the Secretariat is at Appendix 2.

7.10 The Committee expressed its appreciation of OFTEL's efforts to ensure that the proposed revision of the Branch Systems General Licence (BSGL) would make it more comprehensible than its predecessor. Nevertheless it

remains a formidable document and we therefore advised that a determined effort must be made to continue the process of simplification.

7.11 The Committee was able to examine the package of price changes announced by British Telecom in September, and to follow the accounting and statistical enquiry carried out by OFTEL on the underlying justifications for the proposed changes. As a result we were satisfied that the package of price changes did not conflict with British Telecom's licence obligations, and that the substantial element of rebalancing contained within the package was justified. However we were critical of several aspects of the changes and of British Telecom's pricing policies. Particularly we felt that the changes were over-complicated and that this would lead to suspicions of British Telecom's motives. We recommend that a serious effort should be made by British Telecom to simplify its main charges and the tariff structure so that customers would be more able to plan their usage of the network efficiently. We were pleased that, in the light of our comments, OFTEL produced an explanatory guide to the new charges for the benefit of telephone users. The Committee was satisfied that the rate of return being earned by British Telecom and projected as a result of the price changes was not out of line with that to be expected in the market place, but expressed continuing concern over the levels of international tariffs and the problems of payphones, on which subjects further work is to be carried out.

Advice to the Monopolies and Mergers Commission

7.12 In April the Committee submitted a memorandum to the Monopolies and Mergers Commission on the proposed acquisition of Plessey Telecommunications and Office Systems Ltd by General Electric Company PLC. We did not seek to express a view on the terms of the proposed merger nor on the alternative suggestion of more limited collaboration, but we were concerned that the Commission should look at the proposal—at least as far as the telecommunications aspects were concerned—in the international context rather than in terms of the United Kingdom market in isolation.

Advice to the German Government

7.13 The Chairman of the Committee assisted the Federal German Government Commission of Enquiry on Telecommunications, led by Professor Eberhard Witte, in November in connection with its examination of the future structure and framework of telecommunications in the Federal Republic.

Chairman and Members of the Committee

Chairman

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

Members

Mrs 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, County Councillor; Northern Field Office Manager, Social and Community Planning Research; Member, Post Office Users' National Council, Darlington until 31 December 1986.

Cllr J D Green, Winchester City Councillor; Chairman, Council of Community Service Rural Committee, Hants; Chairman, Winchester Children's Holiday Trust; Chairman, Ulcombe Hydroponics UK Ltd, Wigan; Chairman, Southampton PATAC; Chairman, South West Region Post and Telecommunications Advisory Committee (PATACs).

Mr M J Lacey, Managing Director, United Towing Ltd, Hull. *Resigned from membership, August 1986.*

The Countess of Mar, former Post Office and British Telecom employee. *Resigned from membership, November 1986.*

Mr D O Michel OBE, Managing Director, G L Michel and Sons Ltd, Leather Merchants; Chairman Midland Region PATACs, former member, Post Office Users' Council; former President, Northamptonshire Chamber of Commerce and Industry; Chairman, Northamptonshire Telecommunications Advisory Committee (TAC).

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

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

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

Introduction

7.14 The Committee held four meetings during the year, one of which was attended by Mr Wigglesworth, Deputy Director General of Telecommunications, and the others by representatives from OFTEL. It responded to matters referred to it by the Director General and dealt with representations and complaints received from consumers. Liaison was maintained with the other ACTs through the Director General's meeting with Chairmen and a regular exchange of minutes.

Referrals by Director General

7.15 (a) Use of Post Office counter service for BT services

The possibility of a charge being levied on BT customers paying telephone bills at Post Offices or the facility being withdrawn altogether was raised when it was learned that the Post Office and BT were having difficulty in agreeing financial terms for the provision of the counter service in Post Offices. It was recognised that the majority (60 per cent) of telephone bills are paid at Post Offices and as it is estimated that 40 per cent of the population do not have a bank account by which they could make payment by cheque, the Committee made a strong recommendation to OFTEL that the present facility of paying telephone accounts free of charge at Post Offices should continue.

(b) Telephone standing charges

The Advisory Committee for Disabled and Elderly People sought the view of the Committee on the burden of telephone standing charges on elderly and disabled persons. The only scheme operated by BT for reducing charges is the Low Users' Rebate Scheme. This operates as a rebate on the rental based on the actual number of dialled meter units used and is not related to the customers' circumstances. The Committee was unanimous that the scheme was not a satisfactory method of assisting low income housebound elderly and disabled people. It was agreed that some form of financial assistance should be available to such persons and whilst ideally this should come from Government it was accepted that this would be a long term solution. It was considered that BT should be encouraged to redirect the equivalent rebate to those elderly and disabled in greatest need although it was recognised that targetting would be a major problem. Of equal concern to the Committee was BT's policy on disconnection. Instances were known where an elderly person returned home from hospital only to find disconnection had taken place because of an outstanding account. It was recommended that BT be encouraged to maintain a record of elderly persons living alone and suspend disconnection until an attempt to contact the customer had been made.

Rural Telecommunications

7.16 A study of telecommunications in the Highlands and Islands of Scotland was commissioned by the Highlands and Islands Development Board and OFTEL and presented in March 1986 by consultants EOSYS Limited. This was followed in September by a conference in Inverness sponsored by HIDB and OFTEL in association with the Committee, at which the development of telecommunication services in rural areas was examined. Speakers included Mr Cowan, Chairman of HIDB, Professor Carsberg, the Director General of Telecommunications, Mr Duncan, Chairman of the Scottish ACT and representatives of BT, Mercury and the Industry Department for Scotland. It was accepted that whilst the basic telephone service was adequate, the area was poorly served by the newer digital and mobile services which were available in most other parts of the UK. It was agreed that it was desirable that public awareness of such services be increased, and Professor Carsberg urged local businesses to create and demonstrate a demand which would justify their provision.

Public Call Boxes

7.17 The provisions of the BT licence place an obligation on the company to provide public call boxes, and set out the circumstances in which a box may be withdrawn. BT has given an undertaking to advise this Committee of all

removals which take place in Scotland, even when the licence imposes no obligation for such notification to be given. During 1986, 35 call boxes were removed, the majority as a result of persistent vandalism or withdrawal of wayleaves. In many instances the call box was replaced with a new 'Oakham' booth, or the box was resited within a reasonable distance, at a spot less prone to vandalism. BT may consider withdrawing service if the annual takings, including an allowance for credit card calls, transfer charge calls, etc, falls below a minimum figure—at present £185 per annum. There were no cases during the year of withdrawals taking place as a result of receipts being below this figure. At the beginning of the year there were 6,857 public call boxes in Scotland and this had increased to 6,927 by 31 December 1986. The Committee welcomes BT's continuing commitment to the network.

Local Telecommunication Advisory Committees

7.18 Local TACs are of great benefit to the community in resolving local problems with BT and in keeping this Committee aware of developments in their respective areas. All have been recognised under the terms of section 27 of the Telecommunications Act 1984 as representing the interests of consumers and users of telecommunications services. Following the formation in September 1986 of a Committee based in Inverness covering the Highland Region, the only area of the mainland of Scotland lacking such a body is the Borders. It is hoped that one will be established in that part of the country in due course.

Public Holidays

7.19 Apart from Christmas Day, Boxing Day, New Year's Day and 2 January, Bank Holidays are not observed consistently by the general public throughout Scotland. Different towns and districts celebrate local holidays on different days and, in 1985, BT accepted a suggestion from this Committee that the cheap rate be allowed on five additional days over the Christmas and New Year period. The concession was again applied this year, and customers in Scotland enjoyed the cheap rate from 6 pm on Tuesday 23 December 1986 until 8 am on Monday 5 January 1987.

Complaints

7.20 As can be seen from the table at the end of this report the major source of complaints arose from disputed accounts and, no matter how reliable the metering system may be, customers will continue to doubt the accuracy of these until BT provides itemised bills. We understand these should be available within a year or so and they will not only benefit consumers, but must, in the view of the Committee, result in significant savings in staff time in the Accounts Department of BT. In last year's report, references were made to complaints arising from BT's insistence that customers should be charged for damage to telephones caused by lightning striking external cables and causing a charge of electricity to pass through the network into the customer's premises. The matter has still to be resolved, but in the meantime BT have agreed not to pursue claims for payment.

7.21 The following are examples of complaints handled by the Committee:

- (a) A customer applied for a telephone service for a hairdressing business and sold out after three months, with both the business and the telephone service being taken over by the purchaser. The purchaser became liable for rental, but as provision of service is regulated by contract, the original customer remained liable for rental until 12 months had elapsed from commencement of his service with the result that BT received rental from both parties for the same period. The District Manager maintained that the contract was with an individual, and was not transferable, and thus the fact that an exchange line had been taken over by a new customer had no bearing on the contractual conditions between BT and the original customer. The matter has been referred to OFTEL and is being pursued.
- (b) A customer who shared a telephone service and was experiencing difficulty with the other sharing party requested an exclusive line, but was told that there were no spare lines available, and it might be a year before

exclusive service would be given. When the matter was taken up with BT an exclusive line was provided within a matter of weeks.

(c) BT refused to exchange a rented telephone at its premises and insisted that the new instrument be delivered to the customer's house at a charge of £15 plus VAT. This was challenged on behalf of the customer and, after further consideration, the District Manager agreed that for a trial period he would make arrangements to allow an over-the-counter change of rental instruments. The customer who had already paid £15 had the charge refunded.

Written and verbal representations about PTO services received by the Scottish Advisory Committee on Telecommunications for the period 1 January 1986 to 31 December 1986

Accounts	420
Quality of Service	147
Deposits	62
Charges	141
Provision of Service	161
Directory Services	43
Payphones	31
Other Matters	47
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TOTAL	1,052
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Chairman and Members of the Committee

Chairman

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

Members

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

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

Mr J D M Hardie MA, MSc, Director, Scottish Division, Institute of Directors; Member, Post Office Users' Council for Scotland. Organiser, Scotland in Europe. *Resigned from membership, May 1986.*

Mr W J Humphries BEM, Director, Scottish Friendly Assurance Society, Glasgow; Member, Post Office Users' Council for Scotland; Chairman, Jute Importers Association; Chairman, Dundee Area Post and Telecommunications Advisory Committee. *Resigned from membership, May 1986.*

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

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

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

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

Mr T J Ransley BSc, Member, Post Office Users' Council for Scotland. *Resigned from membership, May 1986.*

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

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

Mr J G Watson MBE, JP, MBIM, Business Counsellor, Scottish Development Agency; Member, Post Office Users' Council for Scotland; Chairman, Argyll Post and Telecommunications Advisory Committees; 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 Nicholson Institute, Stornoway; Member, Post Office Users' Council for Scotland; Member, Highlands and Islands Development Consultative Council.

Secretariat

Mr M McNab

Clemdale Report

7.22 A major feature of the Committee's work during the year was the survey carried out by Clemdale Associates on the provision of telecommunications services in Mid-Wales. The report of the survey was launched by Professor Bryan Carsberg, Director General of Telecommunications, at a conference of users and providers of telecommunication services held in Llandrindod Wells in April 1986. The report indicated, amongst other matters, that the benefits of advanced communications were poorly understood by private subscribers and, more importantly, by the vast majority of business users. This led to a further study of educational aspects being commissioned by OFTEL and the Committee. This was carried out by Mr Eric Hall. The Committee has initiated discussions about the provision of centres where 'hands on' experience can be obtained.

British Telecom's Proposed Price Changes

7.23 Unease was expressed at the increase proposed for local calls made by small business and domestic users. The Committee urged greater publicity about the costs of over-running unit allowances and stressed the importance of making the necessary investment to facilitate flexibility in the time allowed for each unit. Since BT will continue to be a monopoly in Wales for some period ahead it was hoped that competition elsewhere will not affect adversely charges and quality of service in Wales.

7.24 The Committee was pleased to note that OFTEL had published a leaflet entitled 'The Cost of Telephone Calls' and was also pleased to note that BT had withdrawn the fixed charge of £10 for a 'change of records'. This had been the subject of complaints and representations to British Telecom. The Committee also responded to requests for comments from the Director General on BT's Code of Practice, the period of notice to be given for price changes, and on Mercury's Code of Practice. Comments were requested on BT's procedures to prevent the elderly and disabled being unnecessarily cut off. In Wales the Committee is satisfied that adequate procedures exist to prevent this happening but emphasises the need for the elderly and disabled, or those acting on their behalf, to acquaint BT of their problems.

Public Call Boxes

7.25 At the end of 1986, there were approximately 4,200 public call boxes in Wales. Withdrawal of wayleave caused the removal of two call boxes in North Wales as it was not found possible to site replacements nearby; a third kiosk was removed from the Central Electricity Generating Board's site at Llanberris following completion of construction work, and a replacement was not required; two call boxes were removed from inside Rhyl Post Office but were replaced by six outside. One kiosk was removed in the South Wales District due to continued vandalism and low receipts. At the end of 1986 approximately 180 cardphones had been installed in Wales. There has been no adverse reaction to their introduction.

7.26 The Committee welcomes BT's continuing commitment to the public call box network.

Complaints

7.27 Many complaints are still received by the Committee via OFTEL. The Committee regrets that it has not been found possible to include the address of the Wales Advisory Committee on the reverse of telephone bills sent to BT's customers in Wales.

7.28 Figures given below show that the number of written complaints received has increased over the previous year. It will be noted that the figures are broken down into greater detail than in previous years. Many complaints relate to telephone bills. The Committee hopes it will soon be possible to introduce itemised billing and thus reduce customers' unease about their bills. Whilst the number of written complaints about operator and directory services is low, it should be pointed out that far more verbal complaints have been received about delays to these services.

7.29 Occasionally complaints arise because of failure in BT's administrative procedures. The Committee is glad to note that BT readily agrees when this happens and is prepared to take remedial action.

Developments

7.30 Developments which have taken place in Wales include the further digitalisation of telephone exchanges in Wales, modernisation of the public call box network and commencement of the work which will introduce the Mercury Communications network in Cardiff.

7.31 The Committee is glad to note that BT has continued its practice of holding exhibitions in various parts of Wales and has maintained its support of various Welsh cultural events.

Local Telecommunications Advisory Committees

7.32 Following the privatisation of BT, the Department of Trade and Industry decided that Post and Telecommunications Advisory Committees should be separated into two Committees. All committees in Wales have now formally separated into two separate committees although membership is common to both. It has not been found necessary to alter the structure of the Telecommunications Advisory Committees in Wales. There may, however, be some minor adjustments in boundaries. It is regretted that towards the end of the year Ogwr TAC ceased to be active following the resignation of the Chairman and Secretary. The Committee hopes that Ogwr committee will soon become active again. During the year a number of TACs in Wales conducted surveys of the quality of service provided by BT. Further surveys are to be conducted in the coming year. The Committee hopes that all TACs in Wales will take part.

7.33 The Committee wishes to record its thanks to TACs for their efforts in resolving many of the problems which arise in their locality.

Meetings

7.34 The Committee held four meetings during the year and representatives of OFTEL were present at each meeting.

7.35 A Joint Conference was held in September 1986 at Llandudno of the Post Office Users' Council for Wales, the Wales ACT and sixteen Post Office Advisory and Telecommunications Advisory Committees (including Shropshire and Hereford POACs and TACs). At this Conference Mr W R B Wigglesworth, Deputy Director General of Telecommunications, spoke about BT's price changes, Mr T Lloyd of OFTEL spoke about future OFTEL surveys and the need for greater participation and Mr E Hall spoke about the educational aspects of the study made by Clemdale Associates of telecommunications in Mid-Wales. At an open forum in the afternoon session Professor Webster, Mr Wigglesworth and Mr Lloyd responded to delegates' questions and comments.

7.36 Mr R Cull, District Manager, BT South Wales District, gave an informative illustrated talk to the Committee on 12 December 1986.

Representations about PTO services received by the Wales Advisory Committee on Telecommunications for the period 1 January to 31 December 1986

Accounts	129
Quality of Service	56
Deposits and Other Billing Matters	50
Charges	51
Provision of Service	25
Directory Services	4
Public Services	14
Other Matters	29
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TOTAL	358
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Chairman and Members of the Committee

Chairman

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

Members

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

Mr D P L Davies, FCA.

Mr D R Dutton JP, Member Agricultural Wages Committee.

Mr G S Hall, Company Director; Chairman Cardiff TAC.

Mr R R Hayes JP, Organiser WRVS County Cars.

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

Mrs I Price Jones JP.

Mr A Roberts, Chairman Arfon/Dwyfor/Mon TAC. *Resigned from membership, May 1986.*

Mr J R Roberts, Member Merioneth POAC & TAC; President Gwynedd Age Concern Committee; Vice President Gwynedd Association of Local Councils.

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

Mr D Willis, Teacher. *Resigned from membership, May 1986.*

Secretariat

Mr B Lewis, Secretary.

Mrs G M Rich, Assistant Secretary.

The terms of office of Mrs Willis and Mr A Roberts ended on 31 May 1986.

The Committee wishes to thank them for their contributions to its work and sends them its good wishes. Membership of the Committee for much of the year was, therefore, nine. The Committee regrets that it again has to express its hope that membership will soon be brought up to its normal complement of 14.

Introduction

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

- Mr W R B Wigglesworth, Deputy Director General of Telecommunications, to the September meeting.
- Mr J Petrie, Retiring Head of Customer Relations at British Telecom, Northern Ireland to the June meeting together with Mr Petrie's replacement, Mr M Kennedy.
- Mrs M Wilson, Northern Ireland Council for the Handicapped to the October meeting.

7.38 The Chairman wishes to express his thanks to Lady Porter, who resigned during the year, for the valuable contribution she made to the work of the Committee and previously to the Post Office Users' Council for Northern Ireland. The Chairman and Committee learned with regret of the death in August of Committee member Mr W Clarke JP, of the Ulster Farmers' Union. His valuable contribution to the Committee's work will be very much missed. A list of members as at 31 December 1986 is annexed to this report.

Work of the Committee

7.39 The major event of the Committee's year was the postal and telecommunications seminar run in March jointly with the Post Office Users' Council, Northern Ireland. Over 100 business and domestic users attended.

The guest speakers were:

Dame Elizabeth Ackroyd DBE, Chairman of the London W1 Postal and Telecommunications Advisory Committee.

Professor Bryan Carsberg, Director General of Telecommunications.

Mr Danny Carty, Chairman, the Northern Ireland Postal Board.

Mr Alfie Kane, Chief Executive, BT Northern Ireland.

Mr David Michel OBE, Chairman of the Midlands PATAC.

7.40 Committee members attended a teach-in at BT Northern Ireland in January to enable them to appreciate more fully the telecommunications field. The teach-in covered public call box modernisation, for which a £2.7m budget had been provided to replace all 1,500 existing boxes with a target of 80 per cent replacement by 1990; telephone billing and telephone directories; and aids for the disabled. BT indicated that funding could possibly be made available for the Committee to survey the needs of disabled people.

7.41 Among the issues dealt with by the Committee at its meetings were: OFTEL's survey on quality of service; BT's own survey 'Telcare' on provision of service, repairs, operator services and automatic exchanges; the extension of the Prestel service in Northern Ireland; telephone directories; and the burden of standing charges on elderly and disabled people.

7.42 The Director General of Telecommunications invited the Committee to give him its views on the complex package of price changes which BT announced in September. A special meeting was arranged to consider this subject which was attended by the Deputy Director General Mr Wigglesworth. At the meeting, the following points were raised:

- The statutory period for giving notice of price changes should be increased to 90 days.
- The massive increase in local peak calls was a means of raising funds to meet competition on the long distance front. Small businesses would be hardest hit since the majority of their calls were local and could not possibly be re-scheduled away from peak times.
- The RPI-3 formula should continue to operate after 1989.
- Volume discounts should reflect only cost savings and should not be a disguised subsidy by other consumers.
- The predominance of small businesses in Northern Ireland would ensure that the benefit from volume discounts would be negligible.

- Cost monitoring of BT should be carried out by an independent body and not by BT staff.
- More consideration should have been given to the position of elderly and handicapped people.

7.43 A further special meeting was held to consider services to disabled people within the telecommunications field as follows:

- The availability of amplification equipment for those who are hard of hearing should be more actively promoted and publicised.
- The depth of the new kiosks where a wheelchair is not under cover and where the phone can be out of reach.
- Digits on telephones too close together for elderly arthritic hands.
- The lightness of new phones and their tendency to slide about.
- Access to post offices for BT counter services.

7.44 Mr W J Whitley, Committee member, attended the National Consumer Congress and Mr W Keown was invited as a guest to one meeting of the Advisory Committee on Telecommunications for Disabled and Elderly People (DIEL).

Provision of Service

7.45 A table of statistics provided by BT comparing 31 December 1986 with 31 December 1985 is annexed to this report. The demand for telephone service in Northern Ireland remains healthy and has increased by 6.5 per cent over the previous year. The number of exchange lines increased by 3.2 per cent to 459,934 at 31 December 1986. The waiting list reduced to 118 at this date compared with 176 last year, and an intensive desharing scheme has reduced the number of shared service connections from 8,025 to just under 1,000; this is well on target to completely eliminate shared service by March 1987. The speed of provision of service has been maintained, with 87 per cent of residential orders and 84 per cent of small business orders being completed within eight days and six days respectively.

7.46 The mobile telephone service, Cellnet, launched in Belfast in December 1985, has been extended to the north of the province and is now available in Ballymena, Ballymoney, Coleraine, Limavady, Lisburn, Lurgan, Portadown and surrounding areas. Coverage will be extended further during early 1987.

Public Call Box Service

7.47 A major programme was launched during 1986 to expand, modernise and improve the public call box service in Northern Ireland. The total number of call boxes increased by 7 per cent to 1,655 during the year. The modernisation of the service continued with the replacement of the pay-on-answer telephones in several locations with computer controlled payphones. In addition, over 100 new housings and mechanisms were provided during the year, including 30 new Phonecard phones. The new housings have been introduced in every major town and civic centre in the Province. Approximately 1,900 vandalism attacks on kiosks cost £225,000 to repair during the year. Twelve kiosks were not replaced due to site agreement being withdrawn. No public call box recoveries requiring the consent of the Director General of Telecommunications were carried out during the year.

Repair Service

7.48 Computerisation of the repair service centres throughout the province was completed during the year and round-the-clock direct fault reporting on 151 is available to 82 per cent of customers. The number of fault reports per exchange connection fell to 0.17 per cent and 90 per cent of reported faults are cleared by the end of the next working day. The remaining 10 per cent are nearly all cleared within a few days.

Operator Services

7.49 The computerised directory assistance system was firmly established in those exchanges which are being retained under the rationalisation programme, viz Belfast, Londonderry, Portadown and Enniskillen. The computerised retrieval of directory information has resulted in a 30 per cent reduction in handling time—from 50 to 35 seconds.

Directories

7.50 Community directories were issued in two rural areas in Northern Ireland. These compact, new-style directories were well received by the public and are now the main source of telephone numbers in each particular area. In a new departure, both directories included numbers in adjacent parts of the Irish Republic.

System X

7.51 Northern Ireland's first System X local exchange opened in Belfast on 16 July and began the first phase of a three year network modernisation programme. By the year end some 6,000 selected business customers in eleven exchanges in the greater Belfast area and Londonderry were provided with a measure of System X capacity.

7.52 In general, customer perception of BT service in Northern Ireland is one of sustained improvement and this is reflected in monthly customer surveys which consistently place Northern Ireland as one of the top districts in the UK for provision of service and fault clearance performance. With virtually all major telephone service problems which directly affect customers now overcome, this is an opportune time to formulate a new service improvement strategy for the late 1980s. To ensure that this programme of action specifically reflects the wishes and requirements of telephone users, a major new survey will be launched by BT during 1987.

Complaints

7.53 A summary of written complaints received by the Committee during the year is annexed. The number has fallen for the second successive year to 67 (from 95 in 1985) but this must be seen together with the number of complaints dealt with verbally by telephone. These latter were 161 in 1985 and 206 in 1986. Total complaints in 1986 were therefore 273 as against 256 in 1985 (roughly in line with the increase in the number of exchange connections). Although total complaints have risen slightly, the trend towards settling more of them on the spot by telephone is commendable. This is being achieved by continuous development of direct liaison between the Committee's Secretarial staff and BT staff. Where difficulties have had to be put in writing, it is the Committee's experience that BT is dealing with them efficiently, sympathetically and as fast as the necessary investigations permit. The Committee would like to thank Mr Alfie Kane, the Chief Executive of BT in Northern Ireland and his staff for their help.

7.54 A selection of complaints handled included:

A Belfast lady signed for an installed telephone to be connected but waited a month and made numerous representations before connection was actually made. Investigation revealed a hitch in BT's internal communications which has since been corrected.

A new small business was supplied with three successive faulty Robin answering machines (normally a very reliable machine). The customer was provided with full credit towards a Kingfisher model and his guarantee renewed for a further twelve months.

A sudden increase in quarterly bills was queried. BT were able to show how the subscriber had begun to make numerous calls to another Northern Ireland number which, unfortunately, was just outside the 'local' area and had to be charged at 'B' rate.

Poor reception on incoming and outgoing calls frustrated an Omagh subscriber over a period of months, who complained on several occasions to the local Omagh office. Eventually an underground fault was found and remedied.

Written representations about telephone services received by the Northern Ireland Advisory Committee on Telecommunications for the period 1 January 1986 to 31 December 1986

	<i>1986</i>
Accounts	29
Quality of Service	11
Deposits & other Billing matters	2
Charges	13
Provision of Service	6
Directory Services	2
Public Services	1
Other Matters	3
	<hr/>
TOTAL	67
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Provision of service statistics

Source: British Telecom, Northern Ireland

	<i>1985</i>	<i>1986</i>
Demand for telephone service—% increase over previous year	5.7	6.5
Work exchange connections—% increase over previous year	4.3	3.2
Number as at 31 December—	445,840	459,934
Waiting list as at 31 December—	176	118
Shared service connections as at 31 December—	8,025	988
% of residential orders completed within 8 working days—	87.1	87.6
% of business orders completed within 6 working days—	83.1	84.3
Number of telephone kiosks—	1,547	1,655
Number replaced by Oakham booths or modern housing mechanisms—	46	100
Number removed and not replaced—	11	12
Number of vandalism attacks—	2,000	1,900
Cost of vandalism attacks—	£250,000	£225,000
% of BTNI customers with direct 24 hr access to Fault Repair Centres	82%	82%
% of fault reports per exchange connection—	0.19%	0.17%
% faults cleared by end of next working day—		90%

Chairman and Members of the Committee

Chairman

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

Members

Mr W Clarke JP, Ulster Farmers' Union (until August 1986).

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

Mr M E Donaghy AIMS W, Member of Post Office Users' National Council. Acting Chairman Age Concern, N Ireland; Member of General Consumer Council.

Mrs E F Glover, Company Director; Federation of Women's 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 and Residents Association.

Mr W Keown MBE, JP, Disabled Advisory Commission.

Lady M Porter MD, NICOD Member. *Resigned during 1986.*

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, Member, Institute of Purchasing Management; Lay Panel Member of Juvenile Courts.

Secretariat

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

*REPORT OF THE ADVISORY COMMITTEE ON
TELECOMMUNICATIONS FOR DISABLED AND ELDERLY
PEOPLE (DIEL) FOR THE YEAR ENDING 31 DECEMBER
1986*

7.55 There has been no change in the membership of the Committee, the details of which are annexed to this report. The appointments of Miss Andrews, Mr Barrett, Sir Eric Driver and Mr King-Beer were renewed until February 1989.

7.56 The Committee gave a great deal of consideration to the difficulties created by the telephone standing charges for disabled and elderly people on low incomes. We recognise that BT's licence precludes it from providing relief from these charges for a particular section of the community, but we note the assistance provided by the company's Low User Rebate scheme. However, we also feel that the scheme may not be directed in a way which provides the most benefit for elderly and disabled people and we will be taking account of this in our continuing consideration of the whole problem.

7.57 The Committee welcomed BT's co-operation with our proposal that tactile markers be incorporated in Phonecards in order to assist visually handicapped users. We look forward to the adoption of our suggestion that an audible signal be introduced at Phonecard public call boxes which will indicate to the visually handicapped user that 80 per cent of the units have been used, thus warning of the need to purchase a further card.

7.58 The Committee submitted to the Director General a proposal that he should seek agreement from HM Treasury to exemption from VAT on all items of telecommunication equipment for use by disabled people. At present this exemption only applies to equipment specifically designed for use by disabled people and thus imposes financial burdens on those whose use of generally available equipment would improve their access to telecommunication services.

7.59 The Committee welcomed BT's response to our suggestion that the company's disconnections policy could be improved in its operation as regards elderly and disabled people. The company produced a first draft of a scheme designed to ensure that certain safeguards are followed in cases where a vulnerable subscriber might otherwise be deprived of a lifeline. We responded constructively to this draft and await further discussions with BT.

7.60 The Committee has, through its Secretariat, drawn to the attention of all local authorities the need to take full account of the needs of disabled people in their provision of telecommunication services.

7.61 The Committee has made it clear in discussions with BT that we wish to be fully consulted during the preparation of any proposals to introduce charges for directory enquiry services. We remain concerned about the implications for disabled people, particularly those who are visually handicapped, of any such proposals.

Chairman and Members of the Committee

Chairman

Mr D Hobman CBE, Director, Age Concern England.

Members

Miss L Andrews, Physiotherapist and Information Adviser 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.

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.

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

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

Mrs D Rhodes, National 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 H Spokes, immediate Past Chairman, Age Concern England; former Chairman of Oxfordshire County Council; Lord Mayor of Oxford.

*REPORT OF THE ADVISORY COMMITTEE ON
TELECOMMUNICATIONS FOR SMALL BUSINESSES
(BACT) FOR THE YEAR ENDING 31 DECEMBER 1986*

7.62 The Director General made eight further appointments in February to the Committee which met in full for the first time on 27 February. Three other meetings took place in the period of this report. It is an unfortunate reflection of the pressures on the modern businessman that three members had to resign from the Committee before the end of the year because of their other commitments. Details of the membership as at 31 December 1986 are annexed to this report.

7.63 In our report on the Committee's inaugural meeting last year we said that many small businesses lacked general awareness of the changes created by more competition in telecommunications and that we planned to rectify this by producing a general guidance booklet. After subsequent discussions it was decided to begin a series of short booklets each of which would focus on particular types of telecommunications equipment and services from the standpoint of the small business user.

7.64 The first of these booklets, entitled 'Does Your Business Need A New Telephone System?' was published during the summer. It sought to advise business users on the points which they needed to consider when looking for a new telephone system suitable for the needs of their businesses. The booklet was widely distributed in the small business world and received a favourable reception. A further booklet, this time looking at the small businessman's options with text telecommunications systems, was at the planning stage at the end of this reporting period.

7.65 We have also sought to publicise our existence and our desire to receive comments from small businesses on any aspect of telecommunications more generally within the small business sector. A leaflet was produced and widely circulated amongst local business organisations explaining the functions of the Committee. We are particularly interested to hear from small businesses about their experiences with the telecommunications industry. Whilst it is impractical for us to take up individual complaints, we do seek to monitor the particular problems and difficulties encountered by small businesses and, wherever we feel it is necessary, make representations to OFTEL and the public telecommunications operators.

7.66 The Director General sought our views on several issues during this reporting period. Amongst these subjects was the substantial package of price changes which BT introduced in November.

7.67 We thought that many of the proposed changes would have adverse effects on small businesses. In particular we opposed the steep increase which BT proposed to make in local peak rate call charges which we thought would have a damaging effect on many small firms. We recommended that it would lessen the impact of this increase if BT were to divide the peak rate period into two short morning and late afternoon periods to coincide with the brief periods of maximum demand. We also felt that should BT be permitted to offer special terms to its largest customers, then these should be met by actual savings in costs of supplying services to those particular customers and should not be borne by any increased charges to smaller customers.

Chairman and Members of the Committee

Chairman

Mr H Kleeman, Director of Carville Ltd and a member of the CBI Council and the Smaller Firms Council.

Members

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

Mr D Attwater, Owner of Attwater & Sons Ltd.

Mr R Blaxland, Corporate Financial Director, Quilter Goodison & Co and member of the Smaller Firms Council of the CBI.

Mr R Cresswell, Managing Director of Sunscene Holidays Ltd.

Mr J Cunningham, Managing Director, Circuit System Design Ltd *Resigned from membership, September 1986.*

Mr R Edwards, Managing Director, Chester Grosvenor Hotels *Resigned from membership, June 1986.*

Mr R Frenzel, Managing Director, Miracle Technology (UK) Ltd.

Mr P Frymann, Sales Administrator, Geoffrey MacPherson Ltd.

Mr G Hall, Marketing Director, John Hall Tools Ltd.

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

Mr L J Lux, Managing Director, Lux Traffic Controls Ltd *Resigned from membership, May 1986.*

Mr E Roberts, Chief Executive, Heath Springs Ltd.

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

Mr M Taylor, Managing Director, Eric R Taylor (Transportation) Ltd and a member of the Road Haulage National Council.

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

Mr J White, Joint Managing Director, Britannia Security Group and a member of HRD Steering Group of NEDO.

APPENDICES

*APPENDIX 1
REPRESENTATIONS ABOUT PTO LICENSING
AND RELATED ISSUES FOR THE PERIOD
1 JANUARY TO 31 DECEMBER 1986*

British Telecom	
Tariffs and charges	530
Installation, maintenance, ownership of wiring and equipment	316
Unfair competition	94
Emergency/priority	10
Miscellaneous	130
Mercury	10
Hull	4
Radiopaging/Mobile Radio	66
Cable	—
	TOTAL 1,160

*APPENDIX 2
REPRESENTATIONS ABOUT PTO SERVICES
RECEIVED BY OFTEL AND ENACT FOR THE
PERIOD 1 JANUARY TO 31 DECEMBER 1986*

Disputed Telephone Accounts	4,778
Quality of Service	2,360
Deposits and Reminders	1,074
Charges	1,894
Provision of Services	926
Directory Services	400
Payphones	158
International Services	88
Other Matters (Advertising, Electronic Mail etc)	1,982
TOTAL	13,660

APPENDIX 3

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

1 Exchange
Connections and Calls

1.1 Exchange connections in service by type of subscriber
1980-1986 United Kingdom

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

Notes: excludes exchange connections to the Hull network.
Source: British Telecom.

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

Year (at 31st March)	Public payphones (000's)	Private rented payphones (000's)
1980	77	286
1984	77	286
1986	77	296

Source: British Telecom.

1.3 Number, and annual percentage growth, of effective telephone calls
by type
1980-1986 United Kingdom

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

Notes: n/a—not available.
Excludes local calls in the Hull network.
Source: British Telecom.

2 Telephone Penetration Rates

2.1 Percentage of households with a telephone 1970, 1980–1985 United Kingdom

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

Source: Department of Employment—Family Expenditure Survey Reports.

2.2 Percentage of households with a telephone by geographical region Average over 1984 and 1985 calendar years. Regions of the UK

<i>Region</i>	<i>Percentage of Households</i>
North	68
Northern Ireland	69
North West	74
Yorkshire and Humberside	76
West Midlands	77
Wales	77
Scotland	79
East Midlands	79
East Anglia	81
South West	83
South East	87
United Kingdom	79

Source: Department of Employment—Family Expenditure Survey Report 1985.

2.3 Percentage of households with a telephone by income, household composition and tenure of dwelling
1985 United Kingdom

	<i>Percentage of Households</i>
All Households	81
Household Income (per week)	
—under £50	50
—£50 and under £100	67
—£100 and under £200	79
—£200 and under £300	90
—£300 and over	96
Household Composition*	
Household with:	
—one adult, retired, mainly dependent on state retirement pension	60
—one man, one woman, retired, mainly dependent on state pension	69
—one man, one woman, not retired	89
—one man, one woman, two children	87
Tenure of Dwelling	
—rented furnished	44
—rented unfurnished	63
—rent free	81
—owner occupied	92

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

Source: Department of Employment—Family Expenditure Survey Report 1985.

3 Household Expenditure on Telecommunications

3.1 Household expenditure on telecommunications as a percentage of total household expenditure, for all and pensioner households
1980, 1984–85 United Kingdom

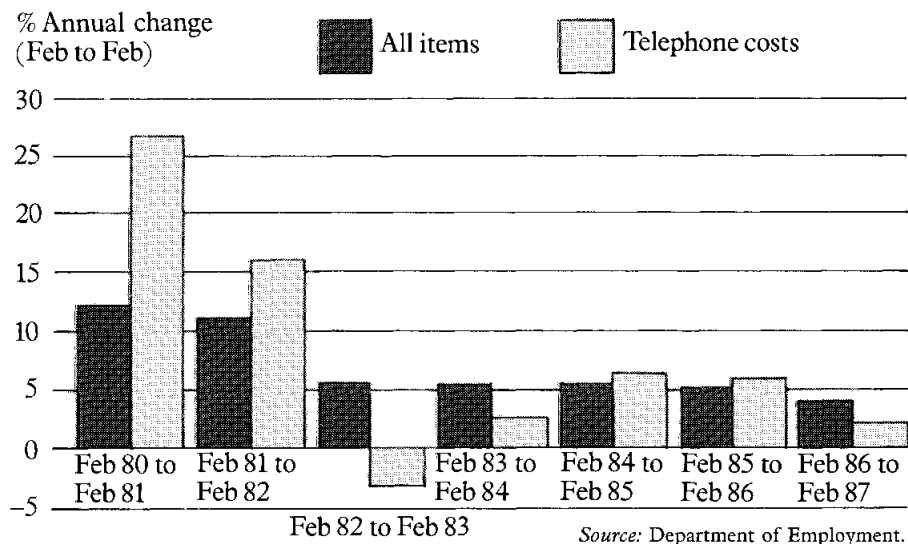
Year	<i>Percentage of total expenditure on telecommunications</i>		
	<i>All households</i>	<i>One person pensioner households</i>	<i>Two person pensioner households</i>
1980	1.3	1.7	1.7
1984	1.5	2.9	2.1
1985	1.5	3.3	2.1

Source: Department of Employment.

4 Prices

4.1 Annual percentage change in the Retail Price Index for all items and the telephone costs component

1981-1987 (% change February to February) United Kingdom



4.2 Summary of BT price changes controlled by its licence (Condition 24) 1984-1986

	Nov 84 %	Nov 85 %	Nov 86 %
Change in RPI in base period	+5.1	+7.0	+2.5
RPI minus 3:	+2.1	+4.0	-0.5
Change in Price of:			
Exchange Line Rental:*			
Domestic	+7.1	+8.5	+3.7
Business	+6.8	+8.8	+3.9
Change in the Effective Price of:			
Local Calls:			
Peak	+6.8	+6.4	+18.9
Standard	+6.8	+6.4	+6.4
Cheap	+6.8	+6.4	-3.6
National 'a'			
Peak	+6.8	+6.4	+1.6
Standard	+6.8	+18.3	+1.1
Cheap	+23.1	+6.4	+2.7
National 'bl'			
Peak	-10.3	-13.9	-12.0
Standard	-10.2	-13.7	-12.0
Cheap	+6.8	+6.4	-12.0
National 'b'			
Peak	-14.0	-6.2	-16.0
Standard	-13.9	-4.9	-17.0
Cheap	+6.8	+6.4	-6.2
Weighted Average:	+2.0	+3.7	-0.3

Notes

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

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

Source: compiled by OFTEL.

5 Telex Services

5.1 Number of telex exchange connections 1980-1986 United Kingdom

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

Source: British Telecom.

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

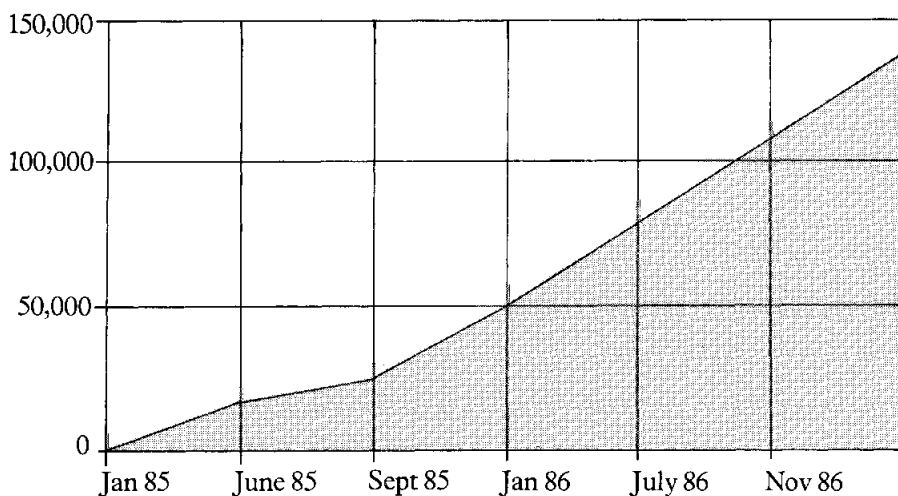
	<i>Number (000's)</i>
Telex Terminals	108
Facsimile Terminals	86
Electronic Mail Subscribers	80

Source: Various sources and OFTEL estimates.

6 Mobile Services

6.1 Estimated number of cellular radio subscribers United Kingdom 1985-1986

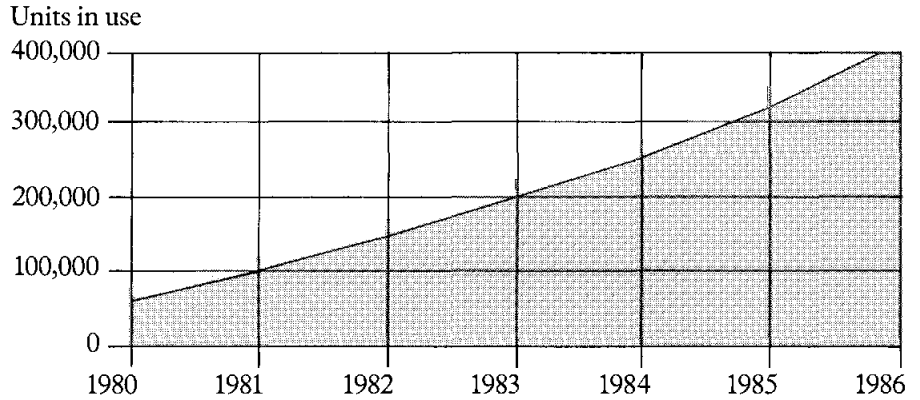
Subscriptions



Note: Cellular radio services commenced in January 1985.

Source: Various sources, mainly press reports.

**6.2 Estimated number of wide area radiopagers in use
1980-1986 United Kingdom**



Sources: various sources, mainly press reports.

**7 Telegraph and
Telecommunication
Equipment Industry
Data**

**7.1 Sales, output and employment in the UK telegraph and
telecommunication equipment industry
1980-1986**

Year	Total sales £m	Output (volume, 1980=100)	Employment (000's)
1980	1,067	100	—
1981	1,238	103	59
1982	1,362	103	57
1983	1,424	104	53
1984	1,524	106	47
1985	1,773	115	43
1986	1,931†	121†	38†

Note: †1986 data is provisional.

Source: Business Statistics Office—Business Monitor PQ 3441.

**7.2 Sales of telephone and telegraph equipment by UK manufacturers
to BT, other UK companies and for export
1981-1986**

Year	Percentage of total sales going to		
	BT	Other UK	Export
1981	76	15	8
1982	76	16	8
1983	78	13	9
1984	76	15	9
1985	70	18	12
1986	70†	20†	10†

Notes: †1986 data is provisional.

Source: Business Statistics Office—Business Monitor PQ 3441.

**7.3 Sales of telephone exchange equipment by UK manufacturers
1980-1986**

Year	Public telephone exchange equipment		Private telephone exchange equipment	
	Electro-mechanical £m	Electronic £m	Electro-mechanical† £m	Electronic £m
1980	149.6	310.2	54.0	27.8
1981	187.8	336.9	47.0	92.6
1982	170.9	406.5	19.7	131.8
1983	115.5	418.6	5.4	144.7
1984	64.0	422.9	2.5	154.3
1985	13.3	573.7	0.6	228.9
1986	0.7	662.0	0.5	225.3

Notes:

† Includes PMBX equipment (falling from £9.9m in 1980 to zero in 1986).
1986 data is provisional.

Source: Business Statistics Office—Business Monitor PQ 3441.

7.4 Proportion of new PABX's and key systems supplied by British Telecom (based on number of extension lines supplied), by size of system

1981-1985 (1st Quarter) United Kingdom

	Percentages			
	Small systems	Medium systems	Large systems	Total
1981	99	87	0	83
1982	100	92	0	81
1983	97	85	1	74
1984	95	80	17	76
1985 (1st quarter)	95	75	48	75

Notes:

Small system—up to 16 lines.

Medium system—17 to 500 lines.

Large system—over 500 lines.

Source: The Monopolies and Mergers Commission report on the proposed merger of British Telecom and Mitel. HMSO 1986 Cmnd. 9715.

7.5 Proportion of new telephones and telephone answering machines supplied by British Telecom (ex manufacturers deliveries)

1984-85, 1985-86 United Kingdom

	Percentages	
	Telephones	Telephone answering machines
1984-85	83	n/a
1985-86	75	25

Notes: n/a—not available.

Source: MZA Consultants.

APPENDIX 4

*NON-PTO LICENCES ISSUED DURING 1986 UNDER THE
TELECOMMUNICATIONS ACT 1984*

<i>Title</i>	<i>Period</i>	<i>Date of Issue</i>
Renewal of temporary licence for British Gas plc to run certain telecommunication systems	6 months	03/01/86
Renewal of temporary licence granted to British Gas plc and members of its group	1 year	03/01/86
Renewal of temporary licence for Reuters Ltd to run certain telecommunication systems	1 year	10/01/86
Temporary licence for the Corporation of Lloyds and members of the Lloyds Community to run certain telecommunication systems	1 year	10/01/86
Temporary licence granted to Oldham Metropolitan Borough Council and the Partington Development Company Ltd	1 year	23/01/86
Temporary licence granted to the East Midlands Airport Joint Committee	1 year	27/01/86
Temporary licence granted to the University of Leicester	1 year	31/01/86
Temporary licence granted to the Institute of London Underwriters	1 year	01/02/86
Temporary licence granted to BDH Chemicals Ltd	1 year	03/02/86
Temporary licence for Electronic Data Systems to run certain telecommunication systems	1 year	03/02/86
Renewal of temporary licence for Midland Bank plc and members of its group to run certain telecommunication systems in the United Kingdom	1 year	19/02/86
Temporary licence granted to Lincolnshire County Council	1 year	24/02/86
Temporary licence granted to the London Borough of Haringey	1 year	26/02/86
Renewal of temporary licence granted to Barclays Bank plc and members of its group	6 months	04/03/86
Renewal of temporary licence granted to the Civil Aviation Authority	1 year	07/03/86
Temporary licence granted to Esso UK Ltd	1 year	26/03/86
Temporary licence granted to the University of Cambridge and Colleges of the University of Cambridge	1 year	27/03/86
Temporary licence granted to Imperial Chemical Industries plc	1 year	27/03/86

<i>Title</i>	<i>Period</i>	<i>Date of Issue</i>
Renewal of temporary licence granted to Lancashire Constabulary	1 year	30/03/86
Renewal of temporary licence granted to the Eastern Electricity Board	6 months	01/04/86
Renewal of temporary licence for the Electricity Boards to run certain telecommunication services	6 months	01/04/86
Temporary licence granted to the University College, Cardiff	6 months	01/04/86
Temporary licence granted to University College, Cardiff to run certain branch systems	6 months	01/04/86
Temporary licence granted to the Metropolitan Borough of St Helens	1 year	03/04/86
Temporary licence granted to the London Borough of Newham	1 year	15/04/86
Temporary licence granted to Rolls Royce Ltd	1 year	18/04/86
Temporary licence granted to British Caledonian Airways Ltd to run systems situated at Gatwick Airport	1 year	18/04/86
Temporary licence granted to Cadbury Schweppes Ltd	9 months	20/04/86
Temporary licence granted to Jeyes Ltd	9 months	20/04/86
Temporary licence granted to Premier Brands Ltd	9 months	20/04/86
Temporary licence granted to Aerosols International Ltd	9 months	20/04/86
Temporary licence granted to Control Data Ltd	1 year	24/04/86
Temporary licence granted to DC Thomson & Co Ltd	1 year	25/04/86
Temporary licence authorising the Stock Exchange to run telecommunication systems and to connect such systems to the cellular public telecommunication systems	1 year	02/05/86
Licence granted to Baldev Singh to run cable systems for the provision of Licensable Cable Programme Services	Indefinite	09/05/86
Temporary licence granted to The Standard Life Assurance Company	1 year	23/05/86
Renewal of temporary licence granted to the London Borough of Hammersmith & Fulham to run certain telecommunication systems	1 year	23/05/86

<i>Title</i>	<i>Period</i>	<i>Date of Issue</i>
Temporary licence granted to the Automobile Association	1 year	27/05/86
Temporary licence granted to Legal and General Assurance Society Ltd	1 year	27/05/86
Temporary licence granted to Clifton College	1 year	30/05/86
Temporary licence granted to Aeronautical Radio Inc to run certain telecommunication systems	1 year	30/05/86
Temporary licence granted to BOC Ltd	10 months	02/06/86
Temporary licence granted to Metropolitan Borough of Stockport	1 year	05/06/86
Temporary licence granted to the London Borough of Croydon	1 year	09/06/86
Renewal of temporary licence for the Marconi Company Ltd to run certain telecommunication systems on the Hillend and Donibristle industrial estates	6 months	11/06/86
Renewal of temporary licence granted to Willis Faber plc and its subsidiaries	1 year	25/06/86
Renewal of temporary licence granted to British Aerospace	1 year	25/06/86
Temporary licence granted to Thorn EMI and its subsidiaries	1 year	25/06/86
Temporary licence for Reuters Ltd to run certain telecommunication systems	6 months	01/07/86
Temporary licence granted to American Express Europe Ltd	1 year	07/07/86
Renewal of temporary licence granted to Boots Company Ltd	1 year	10/07/86
Renewal of temporary licence granted to HP Bulmer Holdings plc	1 year	10/07/86
Renewal of temporary licence granted to Wolverhampton & Dudley Breweries Ltd	1 year	10/07/86
Renewal of temporary licence granted to the Dee Corporation plc	1 year	11/07/86
Temporary licence granted to Rolls Royce Ltd	1 year	11/07/86
Temporary licence granted to North of Scotland Hydro-Electric Board	1 year	14/07/86

<i>Title</i>	<i>Period</i>	<i>Date of Issue</i>
Renewal of temporary licence granted to Honeywell Inc	1 year	17/07/86
Temporary licence granted to Bernard Sheridan & Co	1 year	21/07/86
Renewal of temporary licence granted to Equity & Law Life Assurance plc and its subsidiaries in the UK	1 year	21/07/86
Temporary licence granted to United Kingdom Atomic Energy Authority and British Nuclear Fuels	1 year	31/07/86
Renewal of temporary licence granted to the Norwich Union Group	1 year	31/07/86
Renewal of temporary licence for the British Railways Board to run certain telecommunication systems	1 year	01/08/86
Temporary licence granted to Tilcon Ltd	1 year	25/08/86
Renewal of temporary licence for the running of telecommunication systems granted to Barclays Bank plc and members of its group	6 months	04/09/86
Renewal of temporary licence for British Steel Corporation to run telecommunication systems at Llanwern Works, Newport, Gwent	1 year	11/09/86
Temporary licence granted to John Swire & Sons Ltd	1 year	12/09/86
Temporary licence granted to Borough of South Tyneside	1 year	30/09/86
Renewal of temporary licence granted to University College, Cardiff	6 months	01/10/86
Renewal of temporary licence granted to University College, Cardiff to run certain branch systems	6 months	01/10/86
Renewal of temporary licence granted to Hertfordshire County Council	1 year	03/10/86
Renewal of temporary licence granted to Lever Brothers Ltd and its subsidiaries in the UK	1 year	03/10/86
Renewal of temporary licence granted to Thames Water	1 year	07/10/86
Temporary licence granted to Chase Manhattan Bank	1 year	09/10/86
Temporary licence granted to Infowave Ltd to run radiopaging telecommunication systems	6 months	16/10/86
Temporary licence granted to Sandtex Ltd	3 months	17/10/86

<i>Title</i>	<i>Period</i>	<i>Date of Issue</i>
Temporary licence granted to Blue Circle Cement	3 months	17/10/86
Temporary licence granted to Strathclyde Regional Council	1 year	24/10/86
Licence granted to the Institutions of the University of Oxford to run certain branch systems	12 years	30/10/86
Licence granted to the University of Oxford	12 years	30/10/86
Temporary licence granted to Leicestershire Constabulary	6 months	30/10/86
Temporary licence granted to Dunsnet to run certain telecommunication systems	1 year	31/10/86
Renewal of temporary licence granted to Tate & Lyle plc and its subsidiaries in the United Kingdom	1 year	31/10/86
Licence granted to the Institutions of the University of Durham to run certain branch systems	12 years	03/11/86
Licence granted to the University of Durham	12 years	03/11/86
Renewal of temporary licence for Brightstar Communications Ltd to run certain telecommunication systems	1 year	11/11/86
Temporary licence granted to Racal Telecommunications Group Ltd	1 year	21/11/86
Renewal of temporary licence for Digital Mobile Communications to run a mobile radiopaging telecommunication system	6 months	21/11/86
Renewal of temporary licence for Inter-City Paging Ltd to run a mobile radiopaging telecommunication system	6 months	21/11/86
Temporary licence granted to Air Call (Holdings) plc	6 months	08/12/86
Temporary licence granted to Wimpol Ltd to run mobile radio telecommunication systems for the provision of mobile radio vehicle location and data telecommunication services	1 year	09/12/86
Renewal of temporary licence for the Marconi Company Ltd to run certain telecommunication systems on the Hillend and Donibristle industrial estates	1 year	11/12/86
Renewal of temporary licence granted to British Airports Authority	1 year	13/12/86

<i>Title</i>	<i>Period</i>	<i>Date of Issue</i>
Temporary licence granted to Mercury Paging Ltd to run radiopaging telecommunication systems	6 months	15/12/86
Licence granted to the Institutions of the University College, Cardiff to run certain branch systems	12 years	15/12/86
Licence granted to the University College, Cardiff	12 years	15/12/86
Temporary licence granted to Radiopage Ltd to run radiopaging telecommunication systems	6 months	15/12/86
Renewal of temporary licence granted to Burmah Oil Trading Ltd	9 months	30/12/86
Temporary licence granted to Thorn EMI Protech Ltd	1 year	30/12/86
Temporary licence for Hydrocarbons Great Britain Ltd to run certain telecommunication systems	6 months	31/12/86
Temporary licence granted to the University College of North Wales	1 year	31/12/86
Renewal of temporary licence for British Gas plc to run certain telecommunication systems	6 months	31/12/86

APPENDIX 5

LIST OF OFTEL PUBLICATIONS DURING 1986

The following publications were issued by OFTEL during 1986. They are available free of charge unless otherwise stated. The reference of the publication is shown in brackets where relevant.

General

A Guide to the Office of Telecommunications—updated edition (14/86).
BACT: The Advisory Committee on Telecommunications for Small Businesses (12/86).

Marking and Advertising Telecommunications Apparatus (17/86).
Telecommunications in Mid-Wales. Report by Clemdale Associates to the Director General of Telecommunications. £4.00.

Consumer

Telecommunications—Quality of Service: A Consultative Document (3/86).
Report on Quality of Telecommunication Services (20/86).

Choosing and Using Telephones—A Free Guide for Consumers (15/86).
The Cost of Telephone Calls—An OFTEL Guide for Consumers to British Telecom's Price Changes, November 1986 (19/86).

Does Your Business Need a New Telephone System? Published by the Advisory Committee on Telecommunications for Small Businesses in association with OFTEL (13/86).

Competition

Director General's statement about new British Telecom policy on wiring and maintenance (6/86).

Prices of Access Lines and Private Circuits (Leased Lines): A Consultative Document (9/86).

Review of British Telecom's Tariff Changes, November 1986. A Report issued by the Director General of Telecommunications (18/86).

Technical

Provisional Code of Practice for the design of private telecommunication branch networks.

Updates (a series of fact sheets).

Telephones in Lifts: Arrangements for the Hearing Impaired (BSGL 2).

Network Code of Practice and Ports Standards (SA/4).

Approval of Multi-Way Adaptors (SA/5).

Approval of Certain Indirectly-Connected Non-Speech Apparatus (SA/6).

Newsletters

OFTEL News: quarterly newsletter.

Newsline: series of information sheets sent to local telecommunications advisory committees.

APPENDIX 6
OFTEL STAFF

Director General of Telecommunications: Professor Bryan Carsberg

Deputy Director General: Mr W R B Wigglesworth

Branch 1 (Monitoring of PTO Licences, Competition)

Director: Mr G P Knight

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

Assistant Director: Mr R J Horrocks

Branch 6 (Economics, Statistics & Accounting)

Director: Mr N J Hartley

OFTEL employed 109 full-time staff and seven part-time staff at 31 December 1986.

ISBN 0 10 200788 8