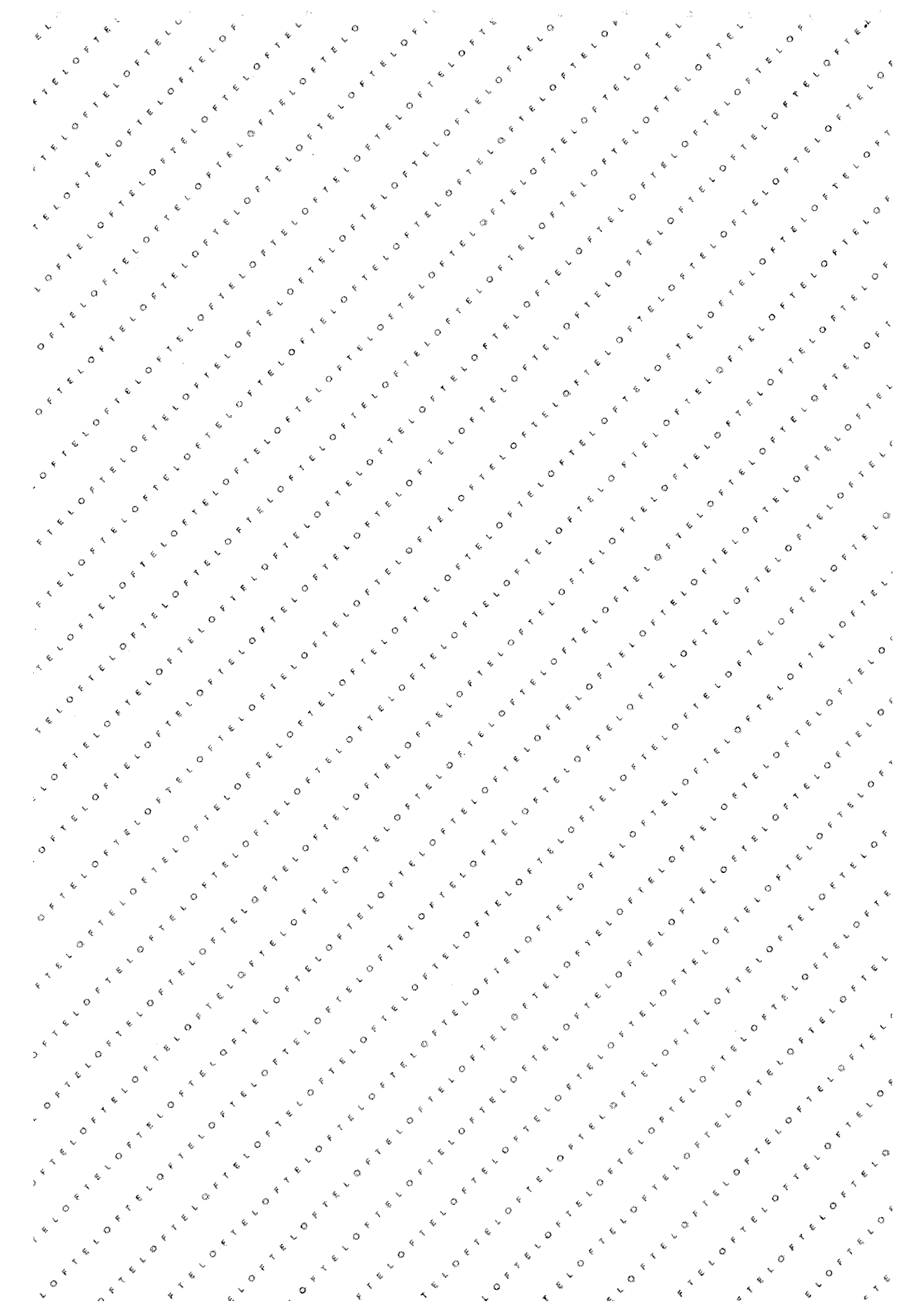


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ANNUAL

REPORT

1988



REPORT
of the
DIRECTOR GENERAL
of
TELECOMMUNICATIONS

for the period 1 January to 31 December 1988 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
23 May 1989*

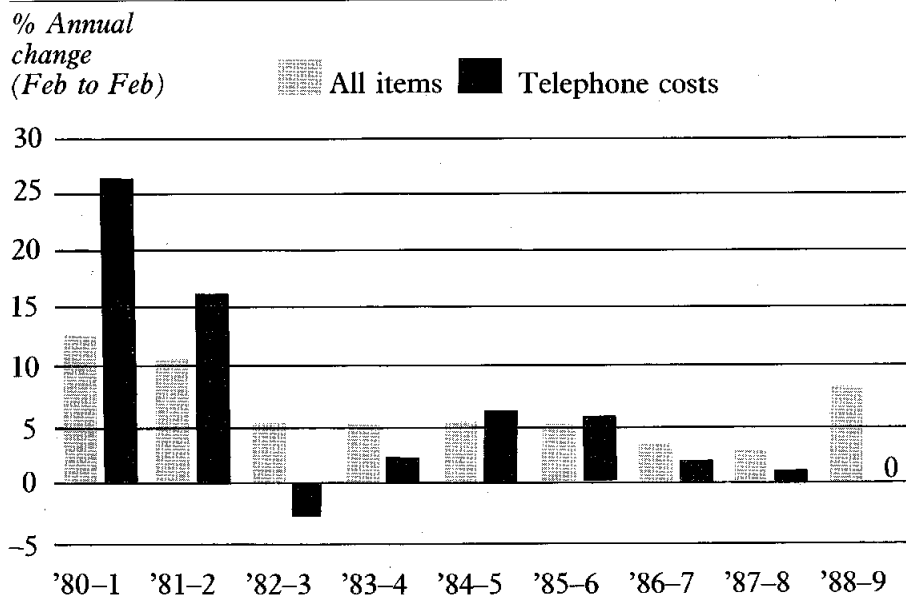
LONDON
HER MAJESTY'S STATIONERY OFFICE

CORRECTION

Diagram 4.1 on page 82 of the Report should appear as below:

4 *British Telecom's
Prices*

4.1 Annual percentage change in the Retail Prices Index for all items and the telephone costs components 1981-1989 United Kingdom



Note: February to February
Source: Department of Employment

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 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 1988. In the first section, I comment generally on my activities during the period, with special emphasis on competition, price control and quality of service. Sections 2-6 describe OFTEL's activities during the year, and Section 7 contains the reports of the six statutory advisory committees on telecommunications.

In July I made my first reference to the MMC on the subject of chatlines and other message services.

BRYAN CARSBURG
4 May 1989

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BUILDING COMPETITION

Director General's Statement

1.1 In my report for 1987, I focused on the role of regulation in getting quality of service right. 1988 has seen significant improvement in quality of service and the performance of British Telecommunications plc (BT) in this area appears to be better today than ever before. Significant areas of weakness remain and more needs to be done but we have now demonstrated that current arrangements are bringing clear benefits for customers. I believe that regulation has made a significant contribution to improvements in quality of service.

1.2 1988 also saw important developments in the control of BT's prices. I agreed a new price control rule with BT. This work led to an improved understanding of how to use the price-cap approach effectively; and the price-cap approach received a firm vote of confidence from members of the industry and customers alike.

1.3 I have often presented reviews of events in the telecommunications industry by separating the promotion of competition from other regulatory activities. However, I always remember that the promotion of competition is the most potent regulatory weapon and should be seen as complementary to other regulatory approaches. If a problem exists with quality of service, for example, the first thought of the regulator should be to ask whether an increase in competition could be the best way of increasing pressures for improved performance; and if competition cannot do the job alone, other weapons should be chosen for their congruence with competition—they should produce the same kind of incentives as exist in a competitive market.

1.4 Several events of 1988 have served to re-emphasise that the key issue for the future of our telecommunications industry is building the competition. Competition is already a strong force and is having a significant influence on the industry. The enthusiasm of new operators of facilities to enter the industry—as shown in the large number of contestants for satellite uplink licences and Telepoint licences during 1988—is an encouraging sign. However, more competition is possible and desirable. Continuing efforts are needed to develop competition as fully as possible.

Local Competition

1.5 One of the strongest benefits of competition is in the incentive it provides to use resources more efficiently. The potential efficiency gains may be particularly great where the largest quantities of resources are used. The first focus of competition in the United Kingdom has been on international telecommunications and long distance national telecommunications because the obstacles to competition were fewer in these areas. Technology is rapidly driving down the cost of long distance telecommunications, because of reductions in transmission costs, and the prospects are that, with the added benefit of competitive pressures, significant price reductions over the next few years can be expected to follow those already achieved. Already, a very high proportion of the resources of telecommunications network operators is used in local telecommunications and this proportion is increasing. We need to make sure that a significant amount of competition is brought about in local telecommunications so as to ensure that resources are used as effectively as possible in this part of the industry.

1.6 The main difficulty in establishing local competition is in the high fixed costs associated with the building of ducts, the provision of the

local loop connecting customers' premises to the local exchange, and the fixed cost of the local exchange itself. The economies of scale are large and competition reduces the extent to which economies of scale can be enjoyed. Consequently, it is not to be expected that local competition can be worthwhile in all parts of the country—at least, unless the situation is changed fundamentally by further technological advances. However, good progress has been made already with the development of local networks by Mercury Communications Ltd (MCL) in key city areas and the entry to the market of a few cable television companies, led by the company that holds the franchise for the Windsor district.

1.7 Two publications in 1988 helped to focus attention on the issues associated with the promotion of local competition. One was the report, entitled *The Infrastructure for Tomorrow*, of the Communications Steering Group of the Department of Trade and Industry; the other was the Home Office White Paper, *Broadcasting in the '90s*.

1.8 The Communications Steering Group, of which I was a member, was established to advise Ministers on the possible ways in which the electronic communications infrastructure could be expected to develop in the United Kingdom and the implications of those possibilities. A pivotal issue was whether or not the Government should be recommended to take steps to encourage the development of a broadband, optical fibre, national grid—optical fibre with high capacity reaching into the premises of each customer on the telecommunications network.

1.9 The Group thought that high capacity communications would be established in the foreseeable future as a result of customers' demands and the operation of market forces, in any event. The cost of optical fibre is falling rapidly. It is already economic in long distance networks and it will very soon be the generally preferred choice in local networks for connections among exchanges and between exchanges and local distribution points. Furthermore, many industry experts believe that it will be as cheap as copper for installation on the final drop—the part of the network between the local distribution point and customers' premises—in under five years time, although it may be longer before the installation of optical fibre is worthwhile in locations where existing copper wiring is functioning satisfactorily.

1.10 Given that it is likely to be worthwhile to replace copper cable with optical fibre sooner or later, a question arises as to whether or not the Government should do anything to accelerate the installation of optical fibre—for example by providing a subsidy or fiscal incentives. The Steering Group thought that this would not be worthwhile. First, it would be very expensive and seems far from being justified on a cost-benefit analysis. Secondly, and equally important, Government interference of this kind would involve selecting a particular detailed technological solution from among many possibilities. It would involve the Government in 'picking winners' at a time when technology is developing with great rapidity and the actual technology that will best meet customers' needs is quite uncertain.

1.11 One of the key uncertainties concerns the relationship between *mobile telecommunications* and *fixed telecommunications*. Current developments in mobile technology suggest that we may be moving rapidly towards an era in which a personal portable telephone,

providing two-way communications, could become the normal instrument for telephony. Furthermore, a mobile service could be used at home and in the office as well as while someone is out and about. Perhaps the mobile network will become the basic network of the future. It will certainly be possible to dispense with a cable into the customer's premises for voice telephony, even though the fully developed technology does not yet exist for providing broadband communications by radio. One possible model for communications in the future is that optical fibre may be used in the network and up to the distribution point with customers being given a choice of using their mobile telephone—or a cordless telephone—with a radio link to connect to the distribution point or having optical fibre with broadband capacity all the way; and customers would bear charges that were related to the differential costs involved. The complexity involved in predicting exactly what choices will be economic is seen to be all the greater when one remembers that optical fibre will be able to carry a large number of high definition television channels—and indeed two-way moving pictures for a 'video phone'—but that one-way television can also be provided by satellite and by traditional means of broadcasting.

1.12 The conclusion I draw from the thoughts I have set out above is that Government should not try to select the technology of the future but should rather try to create the conditions in which customers can exercise choice at prices which are fair in relation to costs. It is particularly important that established suppliers of telecommunications services should not be able to limit the use of technologies which are inconvenient or harmful to their own interests. In other words, it is important that suppliers should have the opportunity and the incentive to make services available by radio or by optical fibre, integrating telecommunications and television, or indeed by satellite if they think they can make a reasonable business of it. Local competition should be seen not just as involving the encouragement of cable television companies—though this is important—but also in encouraging the participation of suppliers using radio. Perhaps this kind of competition among technologies will lead eventually to manufacturers developing a system that will give us the best of all worlds—broadband services using radio.

1.13 Some commentators acknowledge the need for the kind of competition I have outlined but say that competition should be more evenly balanced; and they cite the fact that cable television companies can combine television and telecommunications over their networks, while BT and MCL cannot, as an unfairness which should be removed from existing regulations. The reason that this restriction has been placed on BT, in particular, is the concern that, if the restriction did not exist, BT would be able to use its established position to pre-empt the development of alternative suppliers of services by cable and maintain a position of total dominance, cutting out the possibility of effective competition along the lines that I have suggested to be desirable. It might be able to prevent the development of diversity of supply which seems likely to be important to the development of effective customer choice.

1.14 However, it is worth emphasising that the present regime is not as restrictive on BT as some commentators have imagined. BT can apply for cable television franchises—indeed, it has done so and has control of the franchise in some areas. In those areas, it could achieve

integration of telecommunications and television, for example by transferring its existing local network in the franchise area to its cable television operation, upgrading it and making some arrangement with me to ensure that the universal service obligation under its main licence was satisfied. Admittedly this would not bring head to head competition because only one franchise for cable television has so far been awarded in each area. However, it would enable BT to gain working experience of this operating medium; and controls over the award of cable franchises could be used to secure an appropriate competitive balance overall.

1.15 No doubt the restriction on BT's integration of television and telecommunications under its main licence will be kept under review and it may well be desirable to dispense with it at some time in the future. However, in my view, this should take place only after cable television companies have been given a start in a sufficient number of areas so that they can have a reasonable chance of matching BT's initial advantages and the customer can have the advantage of a reasonable prospect of continuity in competition. As I noted above, competition cannot be expected to take root in all areas of the country. However, if competition is effective in some areas, and it leads to greater efficiency of supply, the benefits of efficiency can be carried over to other areas through application of the rule in BT's licence against undue preference and undue discrimination.

1.16 The White Paper on Broadcasting is relevant to telecommunications because of the possibility of joint means of supply of telecommunications and television services. The pro-competitive philosophy of the White Paper is very similar to the philosophy underlying current telecommunications policy and it is, I believe, much to be welcomed. The possibility of competition among different technologies is as important for television as it is for telecommunications. I would not argue that any restriction should be put on the supply of television services in order to benefit telecommunications. My only plea would be that the recent strong growth of interest in cable television franchises should not be discouraged by the establishment of unnecessary restrictions. I accept that cable television companies may need to be subject to fair trading rules on activities where they may develop an element of local monopoly power—particularly the operation of their networks—in order to prevent their distorting competition in other areas, such as retailing or programme provision. However, I do not see a need for such companies to be excluded from any of these activities. Our experience with other aspects of regulation has suggested that the abuse of monopoly power can be controlled by the firm application of fair trading rules; and exclusion from activities may have a serious disincentive effect—for example, if a cable company believes that a particular package of programmes and services is needed to succeed in the market and it believes that others are unlikely to provide the necessary programmes.

1.17 As I noted above, the first focus of MCL in providing competition in the provision of network facilities was on long distance telecommunications. It has continued to make good progress. I was pleased to hear its announcement, during 1988, that its business had

moved into profit, less than two years after it commenced the provision of switched services.

1.18 However, a continuing regulatory presence is needed to ensure the promotion of effective competition between BT and MCL. During 1987, MCL complained that BT was not making connections between the two networks as fast as was desirable. It referred its concerns to a committee, under a procedure set down in my original interconnect determination, and this led to a resolution of the difficulty early in 1988. I also established an informal working group with BT and MCL, early in the year, under OFTEL chairmanship, with the aim of improving communication and accomplishing more effective progress with interconnection.

1.19 Under the terms of the interconnection agreement between BT and MCL, no revision to the interconnection contract could take place, except by mutual agreement, until the contract had been in operation for two years. This anniversary arrived in March 1988. At that time, MCL first indicated that it would seek a review of a considerable number of sections of the contract, but it subsequently decided that it preferred to try to reach agreement with BT on most of the issues and asked me to proceed with a new determination only in relation to the arrangements for international telecommunications traffic. When I made the original determination, I had expected MCL to make faster progress than actually proved to be possible in establishing direct working relationships with operators in other countries. I thought that a revision of the contract was desirable to take account of the actual situation and I set down a new determination, in July, which gave MCL more scope in providing international services in conjunction with BT, while maintaining its incentive to develop direct working relationships with overseas operators as soon as it was economic to do so.

1.20 A number of issues continued to be disputed between BT and MCL; and after prolonged discussions, which failed to produce an agreement, MCL asked me to take action on one or two matters before the end of the year. The most important concerns extended ingress—arrangements which are made to allow BT's customers to obtain access to MCL over the BT network, even though the customer's premises are located at a distance from the MCL network. In my view, the interconnect determination requires BT to provide access for these customers and I attach great importance to its provision without further delay. Just before the end of the year BT told me that it would agree to provide extended ingress. I then asked it to establish arrangements to bring about early implementation.

1.21 Referees are always well aware of the difficulty in establishing rules that are regarded as fair by unevenly matched contestants: the rules that affect BT and MCL are no exception. I am often asked whether some aspect or another of the rules is fair. For example, I am asked whether it is fair that BT should bear the burden of social obligations while MCL does not. In answering such questions, I say that I do not believe that fairness can be judged item by item. One has to take an overall view. BT has a strong advantage in some respects: the established size of its network and its customer base gives it economies of scale in large measure and these cannot possibly accrue to

MCL to anything like the same extent, in the near future. Consequently, competition will be possible only if MCL is given other compensating advantages, such as freedom from a complete universal service obligation and from other social obligations. As the competitive balance changes over time, the balance of factors such as these will need to be kept under review and may need modifying in the interests of continuing evenness in competition.

1.22 One issue that I have been looking at for some considerable time concerns the permissibility of BT's giving discounts to selected categories of customers, for example customers with large volumes of business with BT. Evidently, some limit on such discounts may be needed to avoid the danger that BT can always undercut MCL by shifting the burden of its large fixed costs onto customers who do not have the practical possibility of moving their business to MCL. Equally, some discounts would appear to be acceptable: BT should at least be allowed to give discounts that reflect clearly demonstrable cost savings involved in serving large customers. Difficult issues arise in deciding exactly where the line should be drawn. I was continuing to give careful consideration to the issues at the end of the year.

Public Call Boxes

1.23 In my 1987 report, I noted that an OFTEL survey had found 23 per cent of a sample of public call boxes to be out of order. I established a plan of action for bringing about improvements. This involved opening up the market to additional competition as well as direct regulatory action: I arranged that OFTEL would undertake, jointly with BT, and using independent consultants, a monthly survey of the service provided at public call boxes. BT announced a target of having 90 per cent of its public call boxes in working order by the end of March 1988.

1.24 Good progress has been made with the development of competition. MCL commenced the provision of public call box services in July 1988, following a determination I had made in 1987. OFTEL published a standard against which manufacturers could have payphones approved and this meant that customers could buy payphones and make them available on private premises instead of having to rent them from BT as was the case previously. I was also able to advise a number of people who made enquiries that they were permitted to provide a 'chain' of payphones on private premises, even though they did not occupy the premises. This arrangement would require the making of suitable legal agreements with the occupiers. The effect was to allow the provision of payphones on private premises to bring a significant increase in the effective competition in this area.

1.25 The combined effect of competitive pressure and regulatory action had a strongly beneficial effect on public call box services. BT exceeded its target of having 90 per cent of call boxes working by the end of March: for much of the year, the independent surveys showed about 94 per cent of call boxes to be in working order. This was a remarkable performance, particularly taking account of the previous extent of vandalism, and I congratulate BT on its achievement. BT now has the target that 95 per cent of call boxes should be working by March 1989.

1.26 During 1987, I also outlined a further way in which competition could be brought to bear on the provision of public call box services:

Mobile Telephony

the licensing of a third operator in addition to BT and MCL. This possibility is still under consideration. Before it could be implemented, I should want to be sure that a formal scheme had been developed, and demonstrated to be feasible, for guaranteeing the financing of call boxes that failed to make a profit but met a significant social need. Such a scheme will undoubtedly be possible but it will involve a cost and the timing of its introduction will depend on the developing situation.

1.27 The remarkable growth of customer numbers on the two cellular mobile radio telephone networks continued during 1988 and, at the end of the year, the number of customers was approaching half a million. This meant that the number of customers in the UK, relative to population, was similar to that in the United States and greater than in most other countries in the world.

1.28 However, success often brings its problems and the cellular networks were no exception. In the second half of the year, I became aware of significant dissatisfaction with the quality of service provided to customers. Although competition had been extremely vigorous in many ways, it had not focused perceptibly on quality of service: for example, operators had not commenced the publication of quality of service statistics, as might be expected in a fully competitive market. I therefore decided that I should undertake an investigation of the problems to decide whether or not regulatory action was necessary. My investigation was still in progress at the end of the year.

1.29 It was already clear that the quality of service problems were caused by several contributory factors. Evidence existed of some poor work by service providers in installing apparatus in cars; and the apparatus itself was of variable performance. However, significant problems were also attributable to the networks. The growth in customers had outstripped expectations so that the engineering build had fallen behind in some areas. Shortage of frequencies was also a problem.

1.30 One point highlighted by the investigation was the need for giving better information to customers. Although service can, no doubt, be a good deal better than it was towards the end of 1988, there is an inherent limitation on the possibility of good service, linked to the shortage of frequencies and other features of a radio system. In certain highly congested areas, the success rate in establishing outgoing calls is almost bound to be lower than with a fixed link network. There is nothing wrong with this provided operators are as efficient as possible and customers are given adequate information to understand the service they can reasonably expect.

1.31 Problems with quality of service, particularly when they are not met immediately with a fully adequate response from operators, raise questions about whether the market needs an additional stimulus through extra competition. Careful studies have shown that it is not practicable to accommodate another competitor in the part of the spectrum presently used by the cellular operators. Consequently, competition has to be more indirect in nature. One new venture which may provide such indirect competition is the Telepoint service—a service involving the use of a portable handset, in the neighbourhood of base stations at sites around the country, for outgoing calls only.

1.32 During 1988, the Secretary of State announced his intention of awarding up to four licences for operating a Telepoint service. Eleven applications for a licence were received during October and I was asked to advise on the selection of the licensees. I submitted my advice to the Secretary of State shortly before the end of the year. Everyone involved in the selection process felt a strong sense of the enthusiasm and commitment of the applicants for participation in this new market. Evidently the successful applicants will compete vigorously; and in doing so, they will be moving us nearer the time when we shall have a fully mobile telephone service.

Satellite Services

1.33 With changes in technology, the roles that can be taken by cable, radio and satellite are subject to constant challenge and each is subject to pressures to shift its position to that in which it has the strongest relative advantages. Satellite services play a key part in these developments and they were affected by two important regulatory decisions in 1988.

1.34 The first concerned representations I had received from PanAmSat, a US operator which had permission from the US authorities to provide international private circuits, not connected to the switched public networks, with one end in the United States. PanAmSat wished to provide such circuits to the UK and, since it was unable to operate downlinks in the UK under our duopoly policy, it had asked BT to operate the downlinks. BT at first resisted such a request on the grounds that it already provided a comprehensive private circuit service between the UK and the US via INTELSAT. PanAmSat then asked me to intervene with BT on the grounds that its licence obligation to provide telecommunication services to meet reasonable demands required BT to provide an unbundled downlink. I told BT that I thought it was obliged to provide the unbundled service and BT agreed to do so.

1.35 The second important event concerning satellite services was the selection of six new operators to provide uplinks for one-way, point-to-multipoint, services. The Secretary of State announced his intention of awarding six licences for these highly specialised services in February. This was consistent with the Government's duopoly policy because specialised satellite services had been excluded from the services covered by the duopoly. Twenty-seven companies applied for licences and, once again, I saw a striking demonstration of the extent to which the UK policy of liberalisation is providing encouragement for innovative thinking, leading to the development of new services. Selection of six winners from the field of applicants was extremely difficult but I gave my advice to the Secretary of State in September and he accepted it.

Value Added and Data Services

1.36 I mentioned, in my 1987 Annual Report, the issuing of the new Value Added and Data Services Licence and the new Branch Systems General Licence. I noted that the two documents represented a significant additional stage in the movement towards further liberalisation. However, I also said that I was well aware that the regulations continued to be complex and could represent real difficulty for users.

1.37 Experience during 1988 has confirmed that the complexities have inhibited people from taking as full advantage of the liberalisation as is desirable. Complexity creates uncertainty for users and also imposes a significant cost on them. This is acceptable—indeed often unavoidable—during a transitional period. However, one of the basic principles of regulation is that complexities should be reduced and eliminated as quickly as possible.

1.38 Analysis carried out by OFTEL during the second half of 1988 made me believe that the complex restrictions on connections among private systems and between private systems and public systems could soon be eliminated; and I also believe that some reductions are possible in the fair trading rules contained in the Value Added and Data Services Licence. As a first step, I issued limited waivers of the obligation to publish prices for value added and data services. I intend to conduct a consultative exercise, early in 1989, with a view to the possible submission of advice to the Secretary of State about the issuing of a new licence, to take the place of the existing Value Added and Data Services Licence and the Branch Systems General Licence.

Apparatus Supply

1.39 The arrangements for approving apparatus, with the associated obligations on the public operators to connect the apparatus or allow connection to their networks, are an important prerequisite to the existence of effective competition in apparatus supply markets. During 1987, OFTEL gave high priority to the need to improve these arrangements so that suppliers of apparatus could get their products into the marketplace with a minimum of delay.

1.40 One aspect of this work was a review of standards, undertaken by a committee under the chairmanship of Major General A C Birtwistle, to establish whether or not improvement could be achieved by the simplification of standards. I published my conclusions on the report of that review during 1988. I concluded that standards should continue to secure satisfactory end-to-end transmission performance because I was well aware of the importance users attached to quality of service and I did not want a relaxation of standards to introduce further reasons why quality of service might be unsatisfactory. However, I was able to establish new rules that would enable some simplifications to be made to standards, particularly rules which would put more responsibility on professionals responsible for private networks through observance of the Networking Code of Practice.

1.41 One of the most important factors in the speed of apparatus approvals is the efficiency of the procedures of the British Approvals Board for Telecommunications (BABT). The introduction, during 1987, of a scheme under which applicants for approval could make direct arrangements with test laboratories, dispensing with the need for a preliminary evaluation, has worked well and this, and other measures, have resulted in a significant improvement in the processing of applications. The number of complaints we receive at OFTEL in relation to this aspect of the regulatory regime is now very small compared to previous experience. Towards the end of 1988, we completed arrangements under which all applications for approval would be sent to BABT for evaluation, finally ending the transitional role of BT in this area, which had been needed because of the lack of

standards for certain kinds of apparatus. (BT will continue to operate a test laboratory.) OFTEL is now consulting with DTI with a view to making arrangements for BABT to issue the approvals in appropriate cases so that approval time can be shortened a little further.

1.42 Other aspects of competition in apparatus supply have continued to work well during 1988. However, constant vigilance is needed to ensure that everything possible is done to create even competition between BT and other suppliers. One of the most significant remaining examples of unevenness concerns the arrangements for installing call routing apparatus and connecting it to the public networks. The regulations require connection to be undertaken by BT and BT imposes a requirement for a pre-connection inspection before making the connection. This gives BT an advantage when it is supplying the apparatus because, even though a pre-connection inspection is still required in that case, it can schedule arrangements for the greater convenience of the customer. I am proposing to evaluate the possibility that connection could be opened up to well-qualified firms other than BT and pre-connection inspection dispensed with; I intend to publish a consultative document early in 1989 to explore this possibility.

1.43 One other area about which I receive complaints from time to time concerns the master socket, the socket which marks the termination on customers' premises of single exchange lines. Old installations are hard-wired—they do not have a master socket as the network termination—and this means that the customers concerned cannot simply buy telephones and bring them into use by plugging them in. Installation of a master socket is first required and the right to make this installation is limited to BT and the other Public Telecommunications Operators (PTOs).

1.44 I have received some representations calling for the liberalisation of the installation of master sockets. Independent retailers of telephones have been prominent in asking for this liberalisation for at least two main reasons. First, liberalisation would be likely to speed up the process of conversion from hard-wired installations to master sockets and this would increase the market for new telephone sets. Secondly, the present situation gives BT an advantage in the market for selling telephones because it can arrange the installation of the master socket and the sale of the telephone at the same time whereas its competitors cannot do this.

1.45 However, I have concluded that I should not proceed with this liberalisation at the present time. Although things are now improving rapidly, the last year has seen many complaints about quality of service, with particular emphasis on poor connections and crackling lines. Liberalisation would create an additional set of reasons why customers might experience poor quality and would weaken my position in insisting that BT must give every possible effort to improvement. Furthermore, BT might be called upon to correct faults which were alleged to be in the network but turned out to be the result of poor installation of the master socket and it would then wish to impose charges on the customer. The resulting disputes would be time consuming and BT's resources are fully stretched in improving its customer service systems. I do not underestimate the positive aspects of liberalisation and I do not rule out the possibility that it might be in customers' interests in the future. I shall continue to keep the matter under review.

Price Control

1.46 One of the most significant events of 1988 was the revision of BT's price control rule. The original rule limited average price increases, for a basket of major services, to three percentage points below the rate of inflation. This rule terminates in mid-1989 and a licence amendment was needed to continue price control. I began discussions with BT, to seek agreement on a new price control rule, early in 1988, in the hope that a new rule could be established in good time to help BT's financial planning procedures, and to allow for the possibility that I would not be able to reach agreement with BT and that a reference to the Monopolies and Mergers Commission would therefore be needed.

1.47 I was pleased when I reached agreement with BT that the new price control rule should limit average price increases to 4½ percentage points below the rate of inflation for four years from the middle of 1989. This was the first time that a price control rule had been established by agreement between a regulatory authority and the regulated company and it provided an important opportunity for learning how to use this form of price control most effectively. I will not discuss all the details here because I issued an extensive statement at the time agreement was reached.

1.48 However, one or two points are worth a short mention. The first of these is the very large measure of agreement we found that our general approach to price control—the so-called price-cap approach—was a good one and should be continued. We undertook an extensive consultative process and found no significant body of opinion arguing for a change of approach.

1.49 A second conclusion from the review was the desirability of bringing each service of significant size, where BT had a monopoly position, under price control. If no price control exists, complaints may still be made to me and I will investigate to establish whether or not prices are reasonable in relation to cost. However, this investigation is bound to take BT's actual costs as a starting point and BT has little incentive to reduce these costs through improved efficiency. Establishing a price control for a service has the main benefit of increasing the incentives to provide the service efficiently. With this in mind, I extended the price control arrangements to cover operator-assisted services and I accepted an undertaking from BT that it would limit increases in connection charges according to a similar formula. However, I did decide not to apply a price cap to BT's charges for international calls. Here, the economic effect of a price control would be particularly complicated, because of its interrelationship with the UK balance of payments. I also expected competition from MCL to increase sharply over the next few years, reducing the danger of excessive prices. I shall keep this area under review.

1.50 One other controversial topic associated with price control concerns the balance of prices and, in particular, the level of the standing charge, known as the exchange line rental. The level of the standing charge has important implications. It needs to be set in a way that gives customers the appropriate kind of incentive to have a telephone—it is a main determinant of whether or not they feel they can afford to become customers. However, the lower the standing charge, the higher call charges must be to yield a given amount of revenue. Call charges also are important because customers should have

an incentive to use the telephone to the full extent that is economic once they have decided to acquire one. These concepts suggest that the standing charge should at least cover the fixed cost arising in operating a telephone network as the result of having an additional customer: this fixed cost arises because of the provision of the dedicated exchange line between the customer's premises and the exchange and certain other costs that arise at a fixed level; similarly, call charges should cover at least the costs that vary according to the volume of calls that are made.

1.51 In the past, the standing charge has been too low in relation to cost and has effectively been subsidised out of call charges, mainly long distance call charges. This imbalance continues today, even though some rebalancing has taken place in recent years; the imbalance continues partly because transmission costs are continuing to fall significantly so that the balance of costs is continuing to change. Because of the possible effects of increasing the standing charge, I gave very careful attention to the extent to which this rebalancing should be allowed to continue.

1.52 I concluded that further modest changes in the balance between standing charges and call charges would improve the incentives given by the price structure to use the telephone network efficiently and would not cause serious disadvantage for most customers. I therefore agreed with BT that standing charges should be permitted to increase by up to two percentage points above the rate of inflation—subject to meeting the overall average requirement of 4½ percentage points below the rate of inflation. However, these increases, small as they are, could cause difficulty for people with low incomes. I took the view that such people should be given the opportunity to remain or become telephone customers and that it was necessary to provide them with a low cost option to facilitate their doing so. Such a scheme would increase the number of people who were telephone customers and bring benefits to everyone. I therefore asked BT to agree to introduce a low user scheme under which customers who restricted their use of the telephone would be entitled to pay a standing charge that was no more than 60 per cent of the normal standing charge. BT agreed to do this as part of the general price control agreement.

Quality of Service

1.53 One of the most noteworthy features of BT's performance during 1988 has been the steady improvement in its quality of service. More improvement is needed before I can be fully satisfied but the statistics now indicate that quality of service overall is better than it has been previously both before and after privatisation. Towards the end of the year, calls failing due to network congestion had reached an all-time low, and more than 90 per cent of faults affecting exchange lines were repaired within two working days. An opinion survey undertaken for OFTEL showed that 83 per cent of customers were highly satisfied or fairly satisfied with the service (the top two points on a five point scale) and 67 per cent thought the telephone service very good value for money or fairly good value for money (again, the top two points on a five point scale).

1.54 A particular difficulty which commenced in 1987, was the development of a waiting list for exchange lines, mainly in some parts of London, because of shortage of available exchange capacity. OFTEL

worked closely with BT to identify the causes of delays and make sure that all practicable remedial measures were taken. The waiting list had been eliminated again by the end of 1988. I am now working with BT to ensure that a reasonable amount of spare capacity is provided to limit the danger of a future recurrence of shortages.

1.55 In addressing BT's quality of service problems, I had in mind the desirability of regulatory arrangements that gave the regulated company appropriate incentives to improve its performance. I concluded that acceptance of some contractual liability by the telephone company was highly desirable because it would not only impose a financial loss on the telephone company, in the event of poor service, but it would compensate the customer who had suffered directly. I was therefore particularly pleased to be able to reach agreement with BT about its acceptance of some contractual liability for delayed fault repair and delayed provision of new exchange lines. BT will pay compensation to customers at a minimum rate of £5.00 per day if it fails to repair faults within two working days of their being reported and if it fails to provide a new exchange line within two days of an agreed date. Customers who have suffered larger losses can claim compensation up to a limit of £1,000 in the case of residential customers and £5,000 in the case of business customers. BT can escape liability only if the delay was attributable to events entirely beyond its control. The new contractual arrangements come into effect on 1 April 1989.

1.56 I have also been undertaking a comprehensive review of BT's contracts with the aim of making sure that each clause gives a reasonably even-handed recognition of customers' rights. This review has been a time-consuming process but it had almost been completed, in respect of BT's basic telephone service, by the end of the year.

1.57 The arrangements I have described for BT's acceptance of contractual liability represent an important safeguard for customers and break new territory as far as regulatory arrangements are concerned. However, they do not cover all aspects of quality of service which potentially are of concern to customers. I intend to keep all aspects of BT's performance in relation to quality of service under review and I shall seek to establish other arrangements which increase BT's incentive to provide good quality of service if performance becomes unsatisfactory.

1.58 Quality of service has many different dimensions not all of which are related to the success of the customer in obtaining effective communication after initiating a call. Quality of service is reduced if the likelihood of obtaining an unexpectedly large bill increases because of increased opportunities for unauthorised use; and quality of service may also be said to be reduced if a customer receives calls which represent an intrusion on his or her privacy. These aspects of quality of service have been of considerable concern to me during 1988.

1.59 Increases in the opportunities for unauthorised use of the telephone have come about particularly as a result of the availability of premium services, including recorded message services and 'chatlines'. A few customers have been burdened with astonishingly large bills as a result of unauthorised use of these services. Because of my concern

about these services, I called upon BT to agree to a licence amendment to control the availability of chatlines. I suggested that the main goal should be to give the customer control. To give effect to this, I proposed that BT should take steps to ensure that chatlines were accessible from exchange lines only where the customer responsible for paying the bill had agreed to their being available and only where itemised billing could be provided.

1.60 BT told me that it was unable to agree to the proposed licence amendment because of established contractual commitments and I therefore made a reference to the Monopolies and Mergers Commission to seek its views. The MMC was due to report to me in January 1989. I shall treat the resolution of the problems associated with chatlines and other message services as a matter of urgency once I have the Commission's report.

1.61 I was also concerned to see evidence, during 1988, that the incidence of telephone selling calls was increasing and that such calls were being made by fax as well as by ordinary telephone conversations. An OFTEL survey estimated that the average telephone customer is receiving about five such calls per year and that they seem to be increasing. I am conscious that a regulator should not try to control everything that causes annoyance, however minor, because increases in regulation themselves involve a cost for customers. With this precept in mind, I formed the view that telephone selling had not yet reached the level where regulatory action against it was required; and I have hopes that current plans to establish a Code of Practice for telephone sellers, which would give customers the opportunity to avoid receiving telephone calls of this kind, may provide an effective way to limit the problems associated with such calls. However, I do regard telephone selling as causing a diminution in quality of service and I intend to keep the case for regulatory action against such calls under review.

Private Circuits

1.62 I have commented above on some important steps that have been taken to secure improvements in quality of service on the public switched telephone network. However, I am well aware that improvements in arrangements for providing private circuits are lagging behind arrangements for switched services and I regard bringing private circuits up to the standard of switched services as an urgent priority. I am looking for the implementation of a package of measures in relation to private circuits.

1.63 I want to establish a price cap to control price increases; I want BT to publish quality of service statistics and to set itself targets for their improvement; I want BT to accept a measure of contractual liability for the provision and repair of private circuits so as to increase its incentive to perform efficiently; and I want BT to introduce enhanced maintenance arrangements so that a good, out-of-hours, repair service is provided to those who want it.

1.64 Before initiating a price control, and in order to establish that the starting point for such a control was satisfactory, I wanted to have the benefit of an expert investigation into the present level of efficiency of this part of BT's operation, of the sort that would be undertaken by the Monopolies and Mergers Commission if the matter was the subject of a reference to it. BT agreed to co-operate in such an investigation

Customers' Complaints

by independent consultants and work commenced just before the end of 1988. I expect to receive the consultants' report towards the end of the first quarter of 1989.

1.65 Complaints and enquiries received by OFTEL from telephone customers continued at a very high level during 1988, in spite of the improvement in quality of service. This suggested that the number of complaints and enquiries was more closely related to customers' awareness of OFTEL's existence and ability to help than to BT's average performance. At the beginning of 1988 we were taking longer to deal with complaints than I would have wished because we had been unable to match the dramatic increase in complaints during 1987 with a corresponding increase in staff numbers. Our first priority during 1988, therefore, was to reduce the backlog. We did this by streamlining our procedures and by some increases in staff numbers—although these fell short of increases in proportion to the number of complaints. We had eliminated the backlog and reached the position where we were dealing with current correspondence by the spring of 1988.

1.66 My next priority was to obtain better assurance that complaints were being handled in a satisfactory way. I took the view that the complainant was the best person to judge whether or not a complaint had been handled satisfactorily and I therefore implemented a formal escalation arrangement under which complainants were told that they could ask for their case to be reviewed at a more senior level if they were not satisfied with the initial response. I hoped that this would enable OFTEL to improve its performance generally because of the benefits of learning about the things that left complainants feeling dissatisfied. However, I also needed to proceed in a way which avoided the danger that we should be unable to cope with the volume of complaints. After undertaking further investigations, to ensure that the complaints operation was being run with reasonable efficiency, I asked my staff to implement the escalation procedure on a pilot basis for 10 per cent of the cases to which it was applicable. Initial experience was that very few people did invoke the escalation procedures and I intend to apply them to all of our complaints cases as soon as possible.

1.67 One of my priorities for 1989 is to extend the work we have done on OFTEL's procedures for handling complaints into a discussion of BT's procedures. As I noted in my 1987 Report, the best indication of success of the regulatory regime would be if BT were handling a very large proportion of complaints satisfactorily itself so that customers did not feel any need to appeal to OFTEL. I am therefore looking for BT to implement its own escalation procedures and to operate satisfactory controls on the quality of its complaints handling in general.

1.68 As in previous years, the most frequent cause of complaint has been disputes about bills which customers have been unable to resolve with BT. We have well-established procedures for dealing with such complaints, including a review of BT's use of special equipment, in appropriate cases, to produce a log of calls made on a customer's line so that this can be used to check the working of the meter. My technical staff have developed a considerable expertise in analysing the print-outs from these call-logging exercises. However, as I have stressed

several times before, satisfactory solutions to the problems of billing disputes depend on more permanent arrangements. A key need is the provision of itemised billing as soon as it is technologically feasible. My 1987 Report described the agreement I had reached with BT for the introduction of itemised billing. I have been monitoring progress with this service and I have been pleased to see that it has become available to several hundred thousand customers during 1988. I intend to continue to monitor progress to ensure that it is as rapid as reasonably possible, with a view to meeting BT's own goal of providing itemised billing to 90 per cent of customers in London and 50 per cent of customers in the rest of the country by the end of 1990.

1.69 Another kind of assurance that can be provided to customers about billing comes from independent quality assurance on the working of meters and the operation of billing procedures. I was pleased to reach agreement with BT and MCL during 1988 for the implementation of a scheme to provide such quality assurance. The work will be undertaken by BABT and the British Standards Institution (BSI). It will involve preparing a report about the accuracy of billing procedures against an approved standard. Work on the preparation of a standard has been proceeding rapidly during 1988 and I hope to be able to make a further announcement about it early in 1989.

Advisory Committees

1.70 1988 was another busy year for my Advisory Committees. They provided very helpful advice in relation to price control and many other matters. I am grateful to everybody concerned for the help they have given me. I have been well aware that the effectiveness of the committees—all of whose members have a limited amount of time to give to telecommunications matters—depends heavily on the staff resources I am able to make available to help them. Discussions with the committees during 1988 convinced me that an increase in their resources would be beneficial and I have made this increase to have effect from the beginning of 1989 in the hope that it will enable the committees to have greater ability to choose the subjects in which they take an interest.

Other Matters

1.71 My staff and I continue to receive many invitations to speak at conferences in the United Kingdom and overseas and to have discussions with members of overseas Governments, regulatory bodies and operators. During 1988, I had the pleasure of visiting the United States, Japan, Hong Kong, Israel and the Philippines as well as several countries in Western Europe for these purposes. I also received many overseas visitors to OFTEL. The UK has been undertaking pioneering work in developing new approaches to regulation and taking a lead in liberalisation. A great deal of interest exists in our experience among other countries and I believe it is greatly to the benefit of the UK to share this experience with others as much as possible. I only regret that the volume of requests for speeches and meetings is so great that I have to refuse a significant proportion.

1.72 Among our relationships with other countries, those with other member states of the European Community are particularly important. OFTEL is giving a good deal of effort to keeping in touch with developments in telecommunications policies within the EC and particularly with developments established or encouraged by the

Commission. These developments may affect the UK in a significant manner and they are therefore central to the discharge of my statutory duties in the UK. One important example of our effort in this area was our application for membership, late in the year, of the European Telecommunications Standards Institute (ETSI).

1.73 Perhaps I may conclude on a personal note. 1988 finished on a very pleasurable note for me because I was honoured with a knighthood in the New Years Honours List. I see this honour as a tribute to the whole of OFTEL. I know that it could not have come about without the hard work and loyal support of all my staff and I thank them for it most warmly.

PTO LICENCES AND COMPETITION

*Public
Telecommunications
Operators (PTOs)*

2.1 At 31 December 1987, fifteen PTOs were licensed—three to provide basic telecommunication and associated services, two cellular radio operators and ten broadband cable operators. In 1988, two further licences were issued to broadband cable operators.

2.2 During 1988, OFTEL's monitoring of PTO licences has continued to be concerned with three main areas. First, consulting with licensees, customers and suppliers on the application of licences, including investigation of complaints and possible licence breaches. Secondly, verifying the observance of licence conditions other than those which have been the subject of complaints. Thirdly, ensuring that licensees meet prescribed dates in such areas as the submission of information, establishment of Codes of Practice and the agreement of procedures on operational matters. No formal orders were made under section 16 of the Telecommunications Act 1984 for the purpose of securing compliance with the conditions of a PTO licence.

2.3 The main thrust of OFTEL's policy continues to be to encourage the development of effective competition as a protection to customers, but in some situations competition is not yet effective—either between one PTO and another, or between the PTOs and other suppliers of telecommunications products and services. Where complaints give rise to concern about a PTO's practices in an area which is neither subject to a specific licence condition nor to effective competition, the Director General will always consider whether it would be appropriate to bring the matter under direct control by seeking an amendment to the licence conditions. However, in practice, it is usually possible to persuade the PTO concerned to change its practices voluntarily and no licence modifications were made for this purpose in 1988. The question of whether BT's licence should be modified to control the provision of 'chatlines' and message services was referred to the Monopolies and Mergers Commission (see paragraph 2.51).

*Mercury
Communications Ltd
(MCL)*

2.4 The range of services provided by MCL continued to expand in 1988 with the addition of a voice messaging service and the provision of videoconferencing systems (in association with Maxwell Satellite Communications). Following the Director General's determination of November 1987, which allows MCL to provide a public call box service in competition with BT, MCL launched its new service on 27 July with the opening of 26 call boxes at Waterloo station. Call boxes have subsequently been installed at a number of other London stations, and by the spring of 1989 MCL plans to have more than 400 in operation. These will be mainly in London, but some will be in other major towns and cities on MCL's network. In August MCL started to install a local network of high capacity optical fibre cables around the business district of Bristol, to enable business customers to link directly into MCL's national network. With more than 1,000 kilometres of fibre being used, it is MCL's largest provincial cable scheme to date and is scheduled for completion in the spring of 1989. Similar local cabling schemes are under way in a number of towns and cities including Birmingham, Edinburgh and Manchester. A new Integrated Service Digital Network (ISDN) was announced in November, initially for business customers in the London and Manchester areas.

2.5 In 1988 MCL initiated two schemes aimed at monitoring and improving the efficiency of its performance. In May it published the first of its six-monthly quality of service reports which measure the availability of service and service restoration time. This was followed in September by the launch of the service provision guarantee scheme under which specified delivery times for MCL services are guaranteed, with financial compensation for late delivery. MCL's second quality of service report was published in December and this showed that more than 80 per cent of faults were being cleared within 6 hours and 98 per cent within 48 hours. The average availability of MCL's directly connected services was at the very high level of 99.9 per cent. These figures exceeded MCL's target of 95 per cent for faults cleared within 48 hours and 99.8 per cent in respect of the average availability of directly connected services.

2.6 The agreement between BT and MCL for the interconnection of their telephony networks, which incorporates the terms and conditions determined by the Director General in October 1985, became available for review in March 1988. MCL asked the Director General to review the terms relating to the conveyance of international calls, and after detailed discussions with BT and MCL, he made a determination revising those terms in July. At the end of the year MCL applied to the Director General for a review of the agreement to cover arrangements for the provision of premium services.

2.7 During 1988 the Director General was called upon to review the performance of both companies under the interconnection agreement with respect to a variety of issues. A major issue which remained unresolved but on which considerable progress was made was the provision by BT of facilities for extended ingress whereby all customers of BT could choose to become MCL indirect customers and have some or all of their calls routed over MCL's trunk network. At present the necessary engineering arrangements have only been made in a limited number of areas served by BT's exchanges which are close to points of connection with the MCL network. At the year end, the Director General was considering whether he should, as MCL had requested, make a direction under Condition 13 of BT's licence to require BT to comply with its obligation under the interconnection agreement to provide extended ingress.

2.8 In November the Director General announced that he was also considering whether he should make a direction under Condition 13 of BT's licence to require BT to comply with the interconnection agreement and to take remedial steps to ensure that traffic handed over to BT from the MCL network did not receive worse treatment than traffic from the generality of BT's own customers. This question arose when MCL complained that some of its customers in London were experiencing significantly worse congestion when attempting to reach BT customers than was experienced using BT lines. BT and MCL worked closely throughout November and December to identify and resolve the problem. Tests carried out jointly by the companies showed that some differences continued, but in the light of the progress made, it seemed unlikely that a direction would be necessary.

Kingston Communications (Hull) plc

2.9 Kingston Communications (Hull) plc, the company established by Kingston upon Hull City Council to run its Telephone Department, has responded vigorously to its new role and has sought to extend the range and quality of its services both within and, so far as its licence permits, outside its licensed area. It is now offering business systems including local area networks and data communications equipment and has been given approval to provide satellite uplink and downlink services. In a joint venture with Plessey, Kingston Communications applied for a Telepoint licence (see paragraph 3.9). Kingston Communications has also revised its Code of Practice for Consumers to take account of its new company status and is preparing a new Code of Practice on Customer Confidentiality for introduction early in 1989.

Cellular Radio

2.10 The cellular mobile radio telephone networks operated by Racal Vodafone and Telecom Securicor Cellular Radio (Cellnet) continued to grow rapidly in 1988. By the end of the year it was estimated that there were approximately 470,000 subscribers with a growth rate in excess of 17,000 per month.

2.11 Racal Vodafone is the largest member of the Racal Telecommunications Group (RTG) which includes Racal Vodapage, Racal Vodac and Racal Vodata. In October, 20 per cent of the shares in RTG were floated on the Stock Exchange raising about £340 million for Racal Electronics which retains ownership of the other 80 per cent of the shares.

2.12 As the year progressed there were significant increases in the volume of complaints about the quality of service available to cellular radio subscribers. In September the Director General announced that he was to carry out an investigation into the levels of service on both networks. The announcement also gave the Director General's views on the possibility of licensing a third cellular operator.

PTO Cable Systems

2.13 The number of broadband cable operators licensed under section 7 of the Act and specified as Public Telecommunications Operators rose during the year from ten to twelve. The two new licences were granted on 3 May 1988 to City Centre Cable Ltd and on 26 August 1988 to the Cotswold Cable Television Co Ltd to run telecommunications systems in the franchise areas respectively of Kensington and Chelsea and of Cheltenham and Gloucester. A number of further licences are likely to be issued in the first half of 1989, following public consultation. The number of broadband systems in operation during 1988 remained at ten.

2.14 Following a successful field trial of voice telephony services in a small area of the Slough Industrial Estate, Windsor Television Ltd was granted a further determination in May 1988 extending the area in which the company could provide such services in competition with BT and MCL. The Director General also issued in December 1988 a determination which allowed East London Telecommunications Ltd to provide voice telephony services on a pilot basis in a small part of its licensed area. These determinations, which were granted under Condition 15 of the cable operators' PTO licences, define the areas within which voice telephony services must be provided to every person who requests their provision. Voice telephony services are also provided

on a small scale by Cable Camden Ltd as a demonstration project at two locations within the area covered by the temporary licence granted to the company. In all three cases, services are provided in conjunction with MCL either under interconnection agreements between MCL and the cable operator or, in the case of Cable Camden, under arrangements whereby the cable operator acts as a direct agent of MCL.

2.15 Notification was made during the year of some changes to operators' charges and other terms and conditions. OFTEL also considered various questions relating to changes in the company structure of some operators and in the arrangements for financing the development of their systems.

2.16 The award of nine new cable franchises was announced by the Cable Authority during the year, so that the position at the end of 1988 was:

PTO licences issued (of which 10 systems were in operation)	12
Franchises awarded, but PTO licences not yet issued	18
Franchises advertised, but not yet awarded	15

Representations

2.17 During 1988 OFTEL received 1,983 complaints and enquiries concerning PTO licensing and related issues, most of which were about BT. These are representations which relate to possible breaches of PTO licences, or which raise issues that may result in licence modifications and are distinct from representations from consumers about the service that they have received from BT; this latter group is dealt with in paragraph 4.5. The 1988 figure is very close to the total of 1,975 complaints and enquiries received in 1987 which represented a 70 per cent increase over 1986. In 1988, 44 per cent of representations concerning BT related to tariffs and charges, with this category rising slightly from 676 in 1987 to 699 in 1988 (see Appendix 1).

Representations concerning the supply and maintenance of wiring and apparatus fell significantly from 553 in 1987 to 296 in 1988. The 1987 figure was very high, largely as a result of questions raised by the liberalisation of internal extension wiring. There was also a substantial fall in representations about the '999' service or priority fault repair, down from 134 in 1987 to only 18 in 1988. Representations alleging unfair competition fell from 110 in 1987 to 98 in 1988, while those concerning payphones and equipment approvals remained at a relatively low level.

2.18 The significant increase in other representations can be attributed mainly to complaints and enquiries about premium rate services and the provision of 'chatline' services on BT's network (see paragraph 2.51). Continuing growth in the mobile market was again apparent, with representations increasing from 156 in 1987 to 249 in 1988. Most complaints were about the quality of service on mobile radio. Complaints and enquiries relating to MCL increased to 69 in 1988 from 51 in 1987, reflecting the company's growth in the telecommunications market, while the figure for Kingston Communications fell slightly to 10 in 1988. Three complaints were received about cable PTOs. These related to the siting of apparatus, to nuisance caused by civil engineering works at weekends, and to an alleged infringement of the Telecommunications Code.

Enhanced Maintenance and Priority Fault Repair Services

2.19 Since new arrangements for these services were introduced in June 1987, BT has, as an interim measure, been providing the priority fault repair (PFR) service on exchange lines to emergency organisations and the like at half the tariff originally proposed. The Director General had not been satisfied that the original charges advised by BT could be justified on the basis of the financial information then available, and it was agreed that the interim charges should be reassessed once costing information became available following operational experience.

2.20 During 1988 the Director General concluded, from information supplied by BT, that the current PFR charges were acceptable and should be made permanent. He was giving further consideration to the appropriateness of the level of the charges to non-PFR customers for enhanced maintenance.

2.21 Representations have been made to OFTEL about the absence of an *ad hoc* out-of-hours service which would allow customers to pay for urgent repairs outside normal hours without having pre-subscribed for one of the enhanced maintenance services. The Director General pressed strongly for the introduction of such a service and BT has said that it is now developing a range of more flexible maintenance services in order to meet the specific needs of customers seeking maintenance cover. OFTEL will be keeping these developments under review in 1989.

2.22 In December the Director General issued a determination allowing BT to provide a free PFR service to residential customers living alone who are immobile and whose lives could be put at serious risk through any loss of telephone service. Such customers have been offered priority repairs for many years but when the statutory PFR procedures were introduced and BT decided to charge for the service, the position needed to be regularised through a licence modification and the issue of a determination. The determination also provides for free PFR on lines used exclusively to carry '999' calls from the BT operator to the emergency services.

Review of '999' Emergency Call Arrangements

2.23 Under the terms of their licences, the PTOs are required to provide a public emergency call service by means of which any member of the public may, without charge, communicate as quickly as practicable with any of the Emergency Authorities (EAs) to notify them of an emergency. The licences are silent on the question of how costs incurred in providing the service should be met, but in practice the PTOs absorb the cost of the call but expect to charge the EAs for the exchange lines or private circuits which connect the telephone operators to the EAs' control centres.

2.24 Problems have arisen over the funding of the private circuits and exchange lines as a result of BT's rationalisation programme for its exchanges, which is reducing the number of operator centres and increasing costs for some EAs. Concern has also been expressed by EAs at the costs involved in accepting emergency calls from MCL and the cellular radio network operators which are also obliged by their licences to provide emergency call facilities. OFTEL has taken note of the representations made to it on these issues and believes that it would be timely to carry out a full review of the '999' emergency telephone call arrangements to see whether the current funding provisions remain

Alterations to the PTOs' Systems

equitable in present day conditions. The review would also look at the organisation of the services taking account of the introduction of modern technology, to see whether the existing arrangements are the most efficient way of providing the public with access to EAs. It is proposed to start the review in 1989.

2.25 Some amendments were made to the PTOs' operating licences in 1987 in order to ensure that PTOs competed on an equitable basis with other service providers operating under the new VADS class licence. In order to comply with new obligations, BT submitted to OFTEL a revised statement of its procedures for consulting, and giving advance notice to, those persons likely to be affected by changes to its networks or the means of access to any value added or data services (VADS). The revised statement incorporates provision for six months notice to VADS service providers and three months to customers. The licence requires BT to prepare and publish such a statement in consultation with the Director General. These consultations were concluded in December and new procedures were expected to be published early in 1989. Almost identical procedures are being adopted by MCL and Kingston Communications.

2.26 Some complaints received by OFTEL suggested that BT had, on occasions, failed to adhere to its published procedures for pre-notifying changes to its networks. These complaints were still under investigation at the end of the year.

Numbering

2.27 In May, the first phase was completed of the two-part consultancy study into telecommunications numbering and addressing issues that OFTEL commissioned in 1987. The purpose was to identify the issues to be examined and to define the scope and working methods of the main phase.

2.28 The contract for phase two of the study was subsequently awarded to Ovum Ltd. Work began in October and is due to be completed by November 1989. In this phase Ovum has been asked to examine a wide range of issues and to produce a recommendation for the future approach to numbering for the core telecommunications services that will last at least until the year 2020. Ovum has also been asked to formulate a method for administering this scheme.

2.29 At the same time as OFTEL announced the commissioning of phase two of the study, it also expressed support for the industry forum being set up to discuss numbering issues. The group held its first meeting in December and it is hoped shortly to approve it as the body which each PTO will have to consult about proposed changes to its numbering plan. The first task of this body is to consider BT's proposals for changes to the London numbering system. For the short term, OFTEL has been discussing with BT and MCL the fair allocation of the remaining All Figure Number codes (AFNs) in London, which must last until capacity is increased by a new plan.

2.30 During 1988 OFTEL also considered the problems raised by the numbering of data networks. A consultation paper was issued inviting comments on the future allocation of Data Network Identification Codes (DNICs). DNICs are essential to the routing of international messages between data networks and are a scarce resource, the UK

having only 40 for its use. The responses to the consultation exercise are being considered and a scheme for the future allocation of DNICs should be published early in 1989.

Prices

Controlled prices

2.31 The licences of BT and Kingston Communications contain a number of conditions providing for controls on certain prices which would expire in mid-1989 unless they were replaced or extended. The Director General considered that such controls remained necessary as the PTOs retained dominant positions in their respective licensed areas for the services covered by the controls. He therefore sought to modify the licences to extend the period of control.

2.32 The main price control rule in BT's licence is the RPI-3 formula which controls a basket of prices consisting of residential and business exchange line rentals and directly dialled inland calls (except from call boxes). In January 1988 OFTEL issued a consultative document inviting comments on the form and scope of any new rule and how long it should last. There were nearly 100 responses. In July the Director General announced that he had—after several months of discussions—indicated to BT the terms on which he would be prepared to reach agreement about new controls without making a reference to the Monopolies and Mergers Commission, and that BT had accepted those terms. The main elements of the agreement are:

- (a) The base control will be tightened from RPI-3 to RPI-4½, on condition that prices are not increased before 1 August 1989;
- (b) The new rule will apply to the basket of prices covered by the present rule, plus charges for operator-assisted calls (including transferred charge calls) from subscribers' telephones and charges for any service previously provided 'free', such as the Directory Enquiry service, for which charges may be introduced;
- (c) The new rule will last for four years;
- (d) Unused price increases may be carried forward within the control period but not from the previous period;
- (e) BT will undertake not to increase exchange line rentals by more than RPI+2 in any one year, and BT will give an identical undertaking as regards connection charges for new exchange lines and charges for taking over existing exchange line installations, taken together;
- (f) BT will introduce a new low-user scheme in which the quarterly rental for exchange lines will not exceed 60 per cent of the standard rental;
- (g) A representative residential customer bill will be defined, published and kept under review to ensure that a fair proportion of the benefits of improved efficiency accrue to residential customers; and
- (h) The conditions in BT's licence which require uniform tariffs for the installation and maintenance of certain exchange lines will be extended until 31 July 1993.

2.33 A condition in the licence of Kingston Communications obliges the licensee to give the Director General six weeks notice of any proposals for amending telephone call charges and charges for the provision and maintenance, etc, of exchange lines. The Director

General has the power to determine during that period that the amendment should not take place. Kingston Communications agreed that the provision of this condition, and of the conditions requiring uniform tariffs for the installation and maintenance of certain exchange lines, should be extended until 31 July 1993.

2.34 OFTEL published a notice of the proposed modifications to the BT and Kingston Communications licences on 1 December 1988, in accordance with the provisions of section 12 of the Telecommunications Act 1984, inviting representations before 9 January 1989 from any persons whose interests were likely to be affected.

2.35 The Director General welcomed BT's decision to peg the main charges for controlled services for the second year running, until at least August 1989 when the new price control rule will come into effect. The RPI-3 formula would have allowed BT to increase the prices of the controlled basket of services by an average of 2.8 per cent, including 1.2 per cent carried forward from the previous year.

Other prices—Operator-controlled calls

2.36 During the year OFTEL completed its review of charges for telephone calls controlled by the operator, which confirmed BT's claim that its returns on operator services were low. However, the Director General in his review of BT's price controls concluded that it was relatively easy for actual costs to be passed on to the customer, and that a price cap on operator-controlled calls would give BT the incentive to improve efficiency. Operator-assisted calls from subscribers' telephones will therefore be included within the basket of BT services to be covered by the proposed new price control rule (see paragraph 2.32).

Other prices—Exchange line rentals

2.37 A number of complaints were received about BT's policy on the classification of exchange lines and hence whether the residential or business rate of rental was applicable. Many of the complaints arose because BT does not publish its criteria for deciding how the classification will be made when the position is not clear cut. It appeared that the present system could lead to anomalies, and OFTEL took the view that BT should publish objective criteria for determining how exchange lines were to be classified. Discussions with BT were continuing at the end of the year.

Other prices—Charges for replacement of stolen or damaged payphones

2.38 In 1987 OFTEL had received a number of representations about BT's charges for the replacement of rented payphones which had been stolen or damaged. Customers consider it unfair that the charge should be a standard one, based on the particular payphone rental, without regard to the normal depreciation in value of older equipment. OFTEL took the matter up with BT and, in January 1988, BT announced the introduction of a flexible formula whereby the replacement charge reduces with the age of the equipment. The liberalisation of the market for the supply of private rented payphones (see paragraphs 3.8 and 3.33) should ensure that vigorous competition will safeguard customers' interests in the future.

Other prices—Value added and data services (VADS)

2.39 During the summer, OFTEL received many complaints about price increases for BT's Prestel service, which included an increase in subscription and peak-time charges and the introduction of a charge of 1p per minute in the off-peak period which had previously been free. A number of complainants were particularly concerned that charges had been increased at a time when quality of service was poor. OFTEL took the matter up with BT and received an assurance that BT was aware that there had been some difficulties associated with the transition to a new Prestel network and was doing its utmost to minimise these until the new network was fully functional later in the year. As regards the price increases, the evidence indicated that BT would not be making an excessive rate of return on capital employed when the new tariff was implemented and that—given the costs of providing the service—it was not unreasonable that the recent price increase should be spread equally between peak and off-peak users. Bearing in mind that the provision of viewdata services is open to competition, OFTEL concluded that there were no grounds for regulatory intervention.

2.40 OFTEL completed a detailed investigation of BT's Telecom Gold charges, which was triggered by a number of complaints about the restructuring of the tariff in 1987 to take into account the volume of characters transmitted as well as the duration of usage of the service. The changes would benefit some users while others—notably high-volume users with fast transmission modems—would experience a substantial increase in charges. Although customers do have a choice of competing electronic mail services, Telecom Gold has a dominant position in a market in which demand is interdependent to some degree. OFTEL therefore wished to be satisfied that the structure of the new tariff could be justified and that it did not impose an unfair burden on some customers who had applied for service under different terms and might find it costly to change. After investigation, OFTEL concluded that there were no grounds for intervention, as the structure of the new tariff reasonably reflected the costs of providing service to users with different requirements.

Publication of tariffs for VADS

2.41 Following the granting of a waiver under Condition 13 of the VADS class licence (see paragraph 3.5), the position of the PTOs was considered. The Director General concluded that fair competition between providers of VADS would be promoted if all operators, including the PTOs, were released for a period from the obligation to publish tariffs. Accordingly, comparable waivers were granted to BT, Kingston Communications and MCL in December, although these waivers do not extend to the provision of basic packet switched services.

Service Obligations

BT's contract terms and conditions

2.42 At the end of 1987 the Director General commenced discussions with BT on the subject of its contract terms and conditions, following OFTEL's assessment of the responses to the consultative document on this subject in the autumn of that year. In March 1988 he was able to announce that he had reached agreement in principle with BT that it

would accept limited liability, with effect from 1 April 1989, for failures to meet telephone service installation targets or when telephone service faults went unrepaired for more than a few days. Since then OFTEL has had a series of meetings with BT to discuss the details of the compensation scheme and the incorporation of suitable provisions in BT's contract for telephone service. During the course of these discussions OFTEL has also been seeking to secure further improvements in BT's contract for telephone service, after taking account of the various complaints which customers had made. A few issues remained outstanding at the end of the year and, when those were settled, OFTEL would be seeking similar improvements in BT's contracts for other services in which competition is limited.

Underprovisioning in London

2.43 Last year applicants for telephone service in some areas—particularly parts of London—faced several weeks delay, as a result of a rapid growth in demand coupled with a delay in delivery of new digital exchanges. OFTEL continued to monitor BT's progress in 1988 to ensure that it was doing everything practicable to overcome the problem and by the end of the year BT had achieved its target of eliminating all the waiting lists.

Occasional overloading at certain exchanges

2.44 OFTEL received representations when large and unexpected surges in traffic caused particular BT telephone exchanges to 'crash', leaving subscribers in the area temporarily without service. This had particularly serious implications when a London exchange, which handles the traffic for a teaching hospital, became totally overloaded on several occasions as a result of a flood of calls to a ticket agency from people trying to obtain tickets for pop concerts. A similar problem has occurred for subscribers in Bristol as a result of large numbers of calls being made to reserve prospectuses for major privatisation issues. BT was asked to address the problem and subsequently demonstrated to OFTEL the steps it was taking to identify and isolate potential trouble spots quickly, and to protect the network. BT stressed that with reasonable advance warning from organisers of events which are likely to cause significant localised surges in demand, it can implement a number of measures to protect the service to subscribers in the area. As modernisation of the network continues, BT's capacity to react to and counter potential overloading situations will increase considerably. In the meantime, OFTEL is satisfied that BT has now taken all reasonable steps to protect the network.

Optical fibre service

2.45 OFTEL informed BT, after further discussions, of its conclusion that the 'universal service' requirement in Condition 1 of BT's licence obliged the company to provide the service of conveying optical signals, such as could be carried over dark (ie unequipped) optical fibres, in order to meet reasonable demands for that service. Those customers who had originally made representations had, in the meantime, been satisfied by the provision of electrically terminated optical fibre links. However, OFTEL made it clear that the Director General would consider issuing an order requiring BT to comply with its licence if, in the future, BT failed to provide the service to customers who requested

it and whose requirements could not be met by other means. At the end of the year, OFTEL was aware of the interest of several new potential customers for optical fibre service and was awaiting the outcome of any requests made to BT.

Satellite services

2.46 During the year four complaints were received about the provision by BT of satellite services and some of the issues raised were taken into account in the review of the signatory arrangements (see paragraph 3.16). OFTEL also completed its investigation of a complaint from PanAmSat that BT was in breach of its licence conditions by refusing to provide uplinks to its independent satellite PAS-1. The results of this investigation were published on 18 March 1988 and the Director General concluded that BT was obliged by its licence, subject to certain limitations and exceptions, to provide uplinks from customers in the UK to a satellite run by PanAmSat. However as BT had not received a firm request for such a service it had not been in breach of its licence and it was not necessary for OFTEL to take enforcement action. This decision is significant because it opens the way for telecommunications users in the UK to access the separate satellite systems being launched in competition with those of INTELSAT and EUTELSAT.

Itemised billing

2.47 The Director General considers that the best way to ensure public confidence in telephone bills is to introduce itemised billing so that customers can verify the bills for themselves. Under pressure from OFTEL, BT has now committed itself to a programme for introducing itemised billing progressively as it modernises its telephone exchanges. OFTEL has been monitoring the situation to ensure that the service is being introduced as quickly as possible and has considered in particular the delay between the installation of new digital exchanges and the introduction of itemised billing. This delay depends on the facilities in the new digital exchanges—some of the earlier exchanges were installed without provision for itemised billing and need upgrading—and on the state of development of BT's administrative computer system for keeping customers' records. The delay will vary from exchange to exchange, but OFTEL is satisfied that BT is doing all that is reasonably practicable to make progress. At the end of November 1988, some 430,000 BT customers could have itemised billing, and it is BT's aim to make the facility available to at least 50 per cent of its customers by the end of 1990. MCL and Kingston Communications already offer itemised bills to their customers.

2.48 In 1988 OFTEL received representations from a number of caring and counselling agencies about the loss of confidentiality that occurs when itemised telephone bills are issued. BT has advised OFTEL that it is not at present technically possible to suppress itemisation of calls to individual telephone numbers, but in recognition of the problem, it proposes to advise all telephone users and caring/counselling agencies of the implications of call itemisation, drawing attention to the fact that only calls of 10 units of more (approximately 50p) will be itemised; of the freephone 0800 facility; and of the confidentiality offered by payphones.

2.49 The Director General, while fully appreciating the problems that could arise if the person responsible for paying a telephone bill became aware that a member of his or her household had been seeking confidential help, does not feel that these considerations can outweigh the rights of bill payers to know what they are paying for. He therefore regards BT's proposals as an acceptable solution to a difficult problem. This view has been endorsed by his Advisory Committees.

Teletex

2.50 At the end of 1987, BT advised OFTEL of its intention to withdraw the Interstream 2 and 3 gateways which allowed communications between teletex users on the telephone network and those on the PSS network, and between teletex users and telex users. OFTEL received a significant number of complaints about this proposal from teletex users. After a thorough investigation, OFTEL concluded that BT was not in breach of any of the conditions of its licence, and that there were no grounds on which BT could be obliged to continue to provide these services—which are open to competition—when the evidence demonstrated that there was insufficient demand to make them economic. BT withdrew the gateway services in September 1988.

Access to 'chatlines' and message services

2.51 The Director General previously expressed concern about chatlines and message services in his Annual Reports for 1986 and 1987 and has kept the matter under review. After taking account of the results of a survey of opinion carried out by NOP Market Research Ltd and a whole range of representations that had been made to him about the content and cost of chatline services, he made a statement in February 1988 calling for the imposition of controls on chatlines. The restrictions were intended to ensure that the services should be provided only to telephone bill payers who had requested them and only in circumstances where their cost could be itemised separately on the telephone bill. As a result of this statement, BT suspended its own chatline services, called Talkabout and Teenage Talkabout, saying that their provision would be uneconomic if these conditions had to be met.

2.52 The need remained for similar conditions to be imposed on other suppliers of chatline services and the Director General concluded that it would be best to introduce controls by modifying the licence conditions of the five PTOs—BT, MCL, Kingston Communications, Cellnet and Racal Vodafone. Provisional agreement was reached with each of them on an acceptable form of wording for the licence amendment. In mid-May the Director General advertised his intention to make the licence modifications following the procedure laid down in the Telecommunications Act 1984 and received a number of representations which were carefully considered. He decided to proceed, but at this point BT indicated that it would not be able to give formal agreement to the modification of its licence, as it had originally intended, because of commitments to service providers which were legally binding.

2.53 The alternative procedure, by which the Director General can make a licence modification without the licensee's consent, is by making a reference to the Monopolies and Mergers Commission

(MMC) and obtaining a finding from them that the matter operates, or may be expected to operate, against the public interest and that the adverse effects can be corrected by modifying the licence conditions. The Director General referred the matter to the MMC on 19 July with the opinion that if the Commission found that there were effects adverse to the public interest those effects might be remedied by the same licence modification that he had hoped to make by agreement. The reference was made only in respect of BT as the other PTOs remained committed to proceeding by agreement and consented to a licence modification equivalent to any eventually implemented for BT.

2.54 The reference also asked the MMC to examine message services and, at the time it was made, the Director General published a statement explaining that these services had been included because he had become aware that a number of message services created similar difficulties to those of chatlines. One of his main concerns was that these services, which were quite expensive, created substantial additional opportunities for people to use the telephone at somebody else's expense. He recognised that for most recorded message services this was a limited problem because the message was likely to be short but he was aware that message services now included live commentaries and interactive games which could involve very large costs. He felt the MMC should have the opportunity to say where the line should be drawn in the application of controls to different types of message services.

2.55 The reference was not motivated by the Director General's concern about message content, an issue on which he had also received considerable representations because he believed the current controls were adequate (see paragraph 2.59).

2.56 The MMC was asked to complete its investigation within six months, and its report was expected in January 1989.

Recorded message services—other issues

2.57 During 1988 representations continued to be made to OFTEL on a number of issues (other than access and content) relating to premium rate recorded message services provided over BT's telephone network. Customers are offered a range of services including weather reports, sports, travel and medical information, records, jokes and stories. The complaints received have been mainly about the cost of these services, possible breaches by BT of fair trading rules—some services are provided by BT while others are provided by competitors—and the withdrawal by BT of Guideline services (provided at local call rates). As a result of continuing concern—both about the cost of these services and the terms on which BT provided access to the Callstream network to service providers—OFTEL is undertaking a detailed investigation of the pricing structure for premium services.

2.58 OFTEL considered all the complaints from independent service providers alleging unfair competition from BT. Some of these proved to be justified, and we sought assurances from BT that the matter would be remedied and reviewed progress. In one instance the Director General issued a determination that BT was infringing the condition of its licence which prohibits the company from showing undue preference to, or exercising undue discrimination against, particular

persons or groups. BT immediately took steps to remedy the position. Several complaints proved, on investigation, to be unfounded and, in OFTEL's view, a number of these would not have arisen if BT had kept service providers better informed; for example, about its policy for allocating lines to service providers. A number of other complaints were still under investigation at the end of the year, notably a complaint that BT was to impose a new contract on service providers without consultation. OFTEL took the view that BT's licence required it to enter into negotiations about terms with an association which represented a significant proportion of those who would be affected by the new contract, and OFTEL will pursue the matter with BT early in 1989.

Independent Committee for the Supervision of Standards of Telephone Information Services (ICSTIS)

2.59 ICSTIS was established in September 1986 with the encouragement of the Director General to supervise the standards of telephone information and entertainment services carried over the Callstream network by BT. The Committee ensures that service providers adhere to a Code of Practice which covers the content of the services as well as promotional material and advertisements. BT can, under the terms of its contracts, terminate service to those service providers who are judged by ICSTIS to have broken the conditions of the Code.

2.60 Initially ICSTIS's activities were restricted to the investigation of complaints, but the Committee concluded in 1988 that proper supervision was not possible without some provision for the continuous review of both message content and promotional material. This development was welcomed by the Director General who believed that random sampling was necessary because it was not always possible to rely on people who telephoned the services to complain when they were objectionable. ICSTIS is now engaged in effective monitoring, both random and targeted, of the premium rated services to ensure compliance with its Code, which is being strengthened and reissued early in 1989.

Direct marketing by telephone and fax

2.61 OFTEL received a number of complaints about telephone selling in 1988, and has been keeping the situation under careful review. In June a survey conducted by NOP asked respondents about their experiences of and attitude towards the use of the telephone for sales approaches to individual consumers. A large majority of respondents objected to sales calls and wanted action taken to curtail them. (A full report of this survey was published by OFTEL in December.)

2.62 The Director General regards the forcing of marketing calls on unwilling recipients as diminishing the quality of service and therefore welcomes the initiative taken by the British Direct Marketing Association (BDMA) and BT in setting up a telephone preference service (TPS). Under this scheme telephone customers will have the opportunity to indicate whether or not they are willing to accept telephone selling calls and members of the Association will agree not to make the calls to customers who have expressed unwillingness. The precise terms under which the service will operate were still under

discussion at the end of 1988, and OFTEL will continue to contribute to the discussions being conducted by the Office of Fair Trading with the BDMA.

2.63 Once introduced, OFTEL will be keeping the operation of the TPS under review to ensure that it is effective. The Director General has taken legal advice on measures that may be available to regulate the practice of telephone selling if this becomes necessary and understands that it would be possible to introduce a licence condition requiring people to abide by a code of practice. He would be prepared to act to introduce more formal controls if this appeared to be the desirable course of action.

2.64 Another problem that raises similar issues to that of direct telephone selling is unsolicited advertising by fax. Concern has been expressed because this practice involves using the property of the recipient—the fax machine and its stationery—as well as, perhaps, delaying the transmission of more important correspondence. This appears to be a comparatively new development but OFTEL will be prepared to intervene if it becomes apparent that the practice is widespread and is likely to impair the value of the fax network.

Competition Issues

PBX enhancements

2.65 In December 1987 the Director General published a report summarising the findings of a study undertaken by Butler Cox & Partners Ltd into the apparent lack of competition in the supply of enhancements to private branch exchanges (PBXs). The study indicated that, in the longer term, technological advances may lead to greater flexibility and more choice for users, but in the meantime a code of practice for behaviour at the time of sale of the PBX would provide some protection for users and enable them to take full advantage of competition in the market. The Director General accepted this conclusion and discussions have been held with the Telecommunication Engineering and Manufacturing Association (TEMA), the Telecommunications Managers Association (TMA), the Telecommunications Users Association (TUA), and with major manufacturers and distributors concerning the preparation and adoption of a voluntary code of practice for the supply of PBXs and enhancements. It is intended that this code should be introduced early in 1989.

BT/Mitel

2.66 The undertakings given by BT to the Secretary of State, following the adverse report by the MMC in 1986 on the proposed acquisition by BT of 51 per cent of Mitel Corporation, included a limit on the level of purchases which BT could make from Mitel in any one year. This cap was to remain in place unless the Director General, as the result of a review carried out by 1 December 1988, concluded that the cap should not apply from 1 January 1989. The Director General considered the application of the cap and concluded that it should not be lifted with effect from 1 January 1989. Whether it should be modified or removed at a future date is a subject for review by the Office of Fair Trading.

Merger references

2.67 No new references to the MMC were made in 1988 by the Secretary of State on which the Director General was required to give evidence or advice. However, in November 1988, GEC and Siemens announced that they had formed a new company which was launching a takeover bid for Plessey. This would affect GPT, the joint venture company established by GEC and Plessey in the telecommunications sector in April 1988. Early in 1989 the Secretary of State referred the bid to the MMC.

NON-PTO LICENCES, APPARATUS AND CONTRACTOR APPROVALS AND STANDARDS

Branch Systems General Licence

3.1 As in previous years OFTEL again received enquiries from many sectors of the community, including businesses, local authorities and universities, regarding the licensing of private telecommunications systems connected to and run by users of public systems. The enquiries were in the main concerned with the use of private circuits and bilateral private circuits and the self-provision of private circuits. They appeared to indicate a greater awareness amongst operators of private telecommunications systems of the provisions of the more liberal Branch Systems General Licence (BSGL) issued in 1987. A new feature was the substantial number of enquiries OFTEL received on the use of payphones (see paragraph 3.8).

3.2 An explanatory guide to the new BSGL was published during the year in order to clarify the licensing rules. In particular the guide detailed the relaxations which allow operators of private telecommunications systems to move PSTN traffic freely within their own systems and the increase in the distance over which individual organisations and groups of companies can provide their own off-premises wiring from 50 metres to 200 metres.

3.3 Despite the positive reaction to the increased liberalisation brought about by the revision of the BSGL in 1987, difficulties remained for operators of private telecommunications systems and for OFTEL's administration of these regulations, especially in relation to the overlap between the provisions of the BSGL and the Value Added and Data Services (VADS) licence. Such considerations led OFTEL to begin a further review of both the BSGL and the VADS class licence.

Licensing of Value Added and Data Services

3.4 The Value Added and Data Services (VADS) class licence authorising the running of telecommunication equipment for the provision of value added services in the UK and abroad, and data services within the UK, was issued in 1987. The VADS class licence contains a number of additional obligations on those who fall into the category of major service provider or provider of trilateral services. Major service providers are defined in the licence as those whose turnover in relevant services exceeds £1m or whose group turnover exceeds £50m. Trilateral services are the provision of customer to customer telecommunications over a licensee's private network of leased lines. These additional obligations involve registration with OFTEL, fair trading conditions, and a requirement to offer means of access by any OSI standard which may be specified by the Director General. By the end of the year 46 organisations had registered of whom 43 were major service providers and the remainder providers of trilateral services.

3.5 The detailed provisions of the VADS licence are complex. This has caused problems of interpretation for many of those affected and OFTEL has dealt with numerous enquiries seeking clarification. This experience has revealed widespread misunderstanding of several key aspects of the regime which arises partly from the substantial overlap between the VADS licence and the BSGL and partly from the extensive amount of regulation incorporated in the VADS licence. Particularly in the area of fair trading, the Director General has made clear his broad sympathy with those who argue that the degree of

regulation is generally excessive. One area which has caused particular difficulty, especially for those who do not market VADS in a commercial manner, is the requirement to publish and adhere to a price list or method of charging. The Director General granted a general waiver of this requirement in June for an initial period of six months and this was extended for a further period of six months in December.

3.6 In the international arena OFTEL has been actively supporting the DTI in various discussions under the auspices of the European Commission on the evolution of the concept of Open Network Provision (ONP). This was set out in the 1987 Green Paper *On The Development of The Common Market For Telecommunications Services and Equipment*. The detailed work in 1988 focused on establishing the principles for the provision of ONP leased lines to permit, *inter alia*, open competition in Community-wide value added services.

3.7 Condition 4 of the VADS class licence contains a provision under which the Secretary of State may specify a range of services, additional to those generally allowed, to be provided over international private circuits, subject to an arrangement between the UK and an overseas telecommunications administration. During the year OFTEL was closely involved in supporting the DTI in discussions which led in May to the UK-Japan arrangement liberalising a range of data services. A similar bilateral arrangement was reached between the UK and USA in October.

Payphones

3.8 Following the publication in May of a new standard for payphone apparatus (see paragraph 3.33) OFTEL received many enquiries from potential suppliers of payphones and related services about the licensing rules of the BSGL. Enquirers were informed that, although complete freedom for them to run payphone systems on other people's premises was not currently allowed, there was considerable scope for them to run a business as a supplier of equipment and services to licensees. In addition OFTEL is actively considering the possibility of recommending to the Secretary of State the issue of new licences to liberalise the payphone operation market even further.

Other non-PTO Licences

Telepoint

3.9 1988 saw rapid developments in the new technology for digital cordless telephones, so-called CT2s. In September the Secretary of State invited applications for licences to run Telepoint services. Initially Telepoint will allow subscribers to make outgoing calls only, using their own digital handsets from within approximately 200m of a base station operated by the licensee. It is envisaged that base stations will be sited at public places and other locations throughout the UK. By the closing date in October, 11 applications had been received. OFTEL then assessed these and evaluated both the business plan and technical aspects of each application. At the end of the year the Director General gave his advice to the Secretary of State on both the number of licences to be awarded (between two and four) and the choice of successful applicants. The licences will be for 12 years and licensees will be expected to provide facilities for handsets to work on a Common Air Interface by the end of 1990, with full inter-system roaming by mid-1991.

Wide area radiopaging

3.10 The number of wide area radiopaging companies increased in 1988 with the licensing of Pagenet Ltd and Millicom Paging. The two companies which entered this highly competitive market in 1987, Racal Vodapage and Mercury Paging, have continued to grow throughout the year.

Private mobile radio (PMR)

3.11 In spite of a continuing shortage of subscriber apparatus, 1988 saw an increase in the number of companies operating trunked PMR services in Band III of the radio spectrum. Band Three Radio Ltd which launched its service in October 1987 introduced regional as well as single site service and GEC National One, the second national Band III PMR operator, and National Mobile Radio Ltd, a company operating regional networks in London, Manchester and Birmingham, launched their services. A number of other regional PMR operators are expected to receive licences and to begin operations in 1989.

Non-PTO cable systems

3.12 In contrast with the growth in the number of applications to run PTO cable systems, the number of applications for Satellite Master Antenna Television (SMATV) licences fell considerably during the year. Only 15 applications were referred to OFTEL for advice compared with 68 in 1987. OFTEL advised the Cable Authority on 18 applications for diffusion services licences under the Cable and Broadcasting Act 1984.

3.13 The Director General has continued to advise the Secretary of State on the issue of SMATV licences and during the year 57 licences were granted. Against this, the Director General revoked four SMATV licences at the request of the licensees, though three of these were replaced by new licences with revised coverage areas. The Director General issued a final order under section 16 of the Act following the non-payment of a licence fee. The order was not complied with and steps are being taken to revoke the licence. This was the first occasion on which the Director General has had to issue a formal section 16 order enforcing the conditions of a licence.

3.14 Seven complaints about SMATV systems were received during the year concerning system construction methods (one) and signal quality (six).

Satellite services

3.15 A major step in the liberalisation process was the announcement in February by the Secretary of State of his intention to license up to six operators to provide specialised satellite services in competition with BT and MCL. The services would be limited to one way point-to-multipoint services within the UK. Following a short consultation period, during which OFTEL advised DTI on the terms of the guidance notes for applicants, a competition for the licences was announced on 11 May. Twenty-seven applications, of which two were later withdrawn, were received by the closing date. OFTEL assessed the applications and the Director General recommended to the Secretary of State which six applicants should receive licences. His advice was accepted and the names of the six were announced on 26 October. They are:

British Aerospace plc
British Satellite Broadcasting Ltd
Electronic Data Systems Ltd
Maxwell Satellite Communications Ltd
Satellite Information Services Ltd
Uplink Ltd

3.16 The Director General was also asked by the Secretary of State to review the arrangements which BT had in place, or envisaged, for the provision of space segment to the six licensees. Representations had been made about the requirement to pass information to BT in its role as the UK's signatory to the INTELSAT and EUTELSAT treaties and the possible conflicts of interest with BT's commercial activities. OFTEL is still discussing with BT a number of issues arising from this review.

Alarms

3.17 During the year OFTEL has been engaged in a number of discussions with DTI and the other interested parties on proposals for new class licences to cover the use of alarms in conjunction with communications. This has included alarms for the elderly at home; short-range transportable devices for use in, for example, commercial vehicles and caravans; and long-range devices to protect property. These discussions will continue during 1989.

Other matters

3.18 This year saw an increase from 83 in 1987 to 152 in 1988 of the total number of licences issued by the Department of Trade and Industry on the recommendation of OFTEL under the Telecommunications Act 1984 to non-Public Telecommunications Operators. A list of these licences is at Appendix 4. OFTEL continued the practice of recommending that temporary licences be issued (requiring an annual renewal as appropriate) for cases where consideration was likely to take longer because of the complexity of the licence regulations and the systems and networks to which they apply.

3.19 OFTEL also continued to advise the Secretary of State to allow small extensions for operators of private telecommunications systems to lay privately-provided wiring in excess of the 200 metre limit permitted by the BSGL. Fourteen new wiring licences were recommended by OFTEL for issue by the Department of Trade and Industry and seven wiring licences issued last year were recommended for re-issue.

3.20 Those licences issued either by the Post Office or BT prior to the Telecommunications Act 1984 continued to come under review.

3.21 OFTEL had discussions with 71 applicants to ascertain if they were covered by the BSGL or if it would be necessary or appropriate to recommend to the Department of Trade and Industry that they should be issued with special licences. Of these cases 33 operators were issued with a special licence for the first time in 1988; 35 applications are still under discussion; and the remaining three were found to be covered by the BSGL.

3.22 Seven non-PTO licences were revoked in 1988.

Approvals

3.23 During the year OFTEL has been engaged in a review of the operation of the public register of licences to ensure that it meets the statutory requirements.

Transfer of evaluation authority to BABT

3.24 OFTEL intends during 1989 to recommend to the Secretary of State that the British Approvals Board for Telecommunications (BABT) should assume responsibility for the granting of certain approvals in its own right. As a first step, OFTEL transferred all evaluation authority to BABT from 1 November 1988. All approval recommendations, except for enhancements to products originally approved by or through BT Teleprove, will therefore be made by BABT. Inspection of manufacturing facilities by BABT forms part of the requirements for approval but such inspections may be deferred for up to 12 months after approval in the case of apparatus not previously subject to this requirement and for which satisfactory documentary evidence of controlled production has been presented to BABT.

Type approvals of apparatus

3.25 During 1988, OFTEL announced a number of changes to approval arrangements for call routing apparatus (CRA) and single line switching apparatus (SLSA). In February the open scheme for the approval of CRA was extended to cover PBXs. Suppliers may now apply to BABT without restriction for the evaluation of all types of CRA. In April a revised technical specification was published against which SLSA can be evaluated for connection to the public network by means of a BS 6312 plug supplied with the apparatus. Arrangements were announced in September for the approval of cordless telephones for use with SLSA.

3.26 In August, the special arrangements for the approval of call barring enhancements to approved telephones were withdrawn on the publication by BABT of a Special Investigation Test Schedule (SITS) which established normal arrangements for the evaluation of this type of apparatus. In April, OFTEL announced special arrangements for the approval of telex apparatus modified to provide indirect access to the MCL telex service. A new scheme for the approval of apparatus for connection to digital circuits operating at 2048 kbit/s and 64 kbit/s was announced in August.

3.27 A total of 1,160 items of apparatus were granted type approval during 1988. The proportion of those based on recommendations from BABT continued to increase and considerably more than half were from this source. The transfer of evaluation authority to BABT from BT Teleprove, which did not take place until near the end of the year, had virtually no impact on the figures.

3.28 No type approvals were withdrawn but 679 existing approvals were varied. These resulted mainly from enhancements to approved apparatus or the granting of unqualified approval to apparatus, approved under BABT's interim approval arrangements, on the completion of all regulatory testing. A number of variations were made because the approval holder no longer wished to supply apparatus, although the approval remains in force in respect of existing apparatus.

Standards

Non-type approvals of apparatus

3.29 A total of 306 non-type approvals were granted. Of these 155 were to allow Test and Development or CRA field trial evaluation. Others were for one-off items of apparatus including short-term approvals for demonstration or exhibition purposes.

NCOP approvals

3.30 Twenty approvals were granted for specific networks under the temporary NCOP scheme.

CRA maintenance contractor approvals

3.31 During 1988, a total of 170 approvals under section 20 of the Telecommunications Act 1984 were granted to independent contractors wishing to maintain items of CRA. Four of these were contractors who received approval for the first time during the year. Five approvals were withdrawn because the holders no longer wished to maintain the type of apparatus concerned. On 31 December, there were 540 approvals in force held by 77 contractors in respect of 153 models of CRA.

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

Payphone liberalisation

3.33 The Working Group set up by OFTEL to prepare a standard against which payphone apparatus could be approved for connection to the public networks completed their task in 1988. The approval requirements were published on 3 May 1988. Five payphones had been approved against these requirements by the end of 1988 and others should follow early in 1989.

Technical Requirements for Private Branch Exchanges with Telecommunication Ports

3.34 In March 1988 OFTEL published the first of a set of interim requirements for PBXs with telecommunication ports, to supplement the requirements for the approval of PBXs contained in BS 6450. This first section dealt with the requirements for analogue ports, and by the end of the year, work was progressing on the requirements for digital ports. This standard permits the open scheme for the approval of PBXs, announced in February 1988, to be fully comprehensive in the PBX features and facilities that it can cover.

Direct dial in (DDI) requirements

3.35 In March 1988 revised DDI PBX approval requirements were issued, resulting from a study conducted in 1987 by OFTEL in association with users, the PTOs and the supply industry. The revised requirements are mainly mandatory and concern major equipment failure (MEF), call answer and power failure. They supersede the

requirements previously announced in the 'Ringing the Changes' notice PBX 005 of 12 November 1984.

Provisional Networking Code of Practice

3.36 During 1988 consultation continued with those organisations which contributed to the production of the *Provisional Code of Practice for the Design of Private Branch Telecommunication Networks* (NCOP), published in 1986. Some additions and alterations were announced in January 1988, including a definition of private branch networks and revised transmission requirements. Further information on the NCOP will be published in 1989.

Temporary site-specific approval scheme

3.37 To benefit from the temporary site-specific approval scheme which was launched in October 1987, network operators are required to prepare and submit technical data to the evaluation authorities. OFTEL published in January 1988 a set of guidance notes to assist operators in the preparation of their submissions. A revised version was published in September 1988.

Other Matters

European developments

3.38 The establishment of the European Telecommunications Standards Institute (ETSI) in 1988 introduced a major new force to the European scene. OFTEL recognised its importance but, due to complications stemming from its articles of association, was unable to participate in its initial meetings. Subsequent changes to those articles enabled OFTEL to apply for membership in December 1988. This will be considered at the next meeting of the ETSI General Assembly in March 1989.

3.39 A draft European Commission Directive on the mutual recognition of type approvals was issued in 1988, following the entry into force of the EC Directive 86/361 on the mutual acceptance of test results in July 1987. Discussions continue on its format and content.

3.40 The programme for the production of European Technical Standards (NETs) expands steadily. As these are designated by the Secretary of State they will replace the relevant British Standards as the legal approval requirements for apparatus within their scope. Three were published during the year.

PTO metering systems

3.41 The Telecommunications Act 1984 provides for the approval of PTO call metering systems. In order to increase public confidence in these systems and to ensure uniform quality standards, an approval scheme will be introduced during 1989. This will be administered by the British Approvals Board for Telecommunications, with assistance from the British Standards Institute and will build upon the PTOs' existing monitoring arrangements, extending them to provide for independent assessment and auditing. The scheme will be financed jointly by BT and MCL.

3.42 A draft standard, broadly based on the existing BS 5750 Part 1, is being prepared and is expected to be completed during 1989. The metering scheme will be introduced after completion of the standard.

Working Group on Telecommunications for the Hearing Impaired (WGHI)

3.43 The Working Group on Telecommunications for the Hearing Impaired (WGHI) advises the Director General on technical problems in meeting the telecommunications needs of hearing impaired people. Included in its membership are experts familiar with telecommunications manufacturing and research and representatives of various voluntary organisations. The WGHI works closely with DIEL (see Section 7). Following representations from the profoundly deaf community, a representative from the Telecommunications Action Group (TAG) joined the WGHI in 1988.

3.44 In 1988, the WGHI started a research investigation into the optimum means of coupling the acoustic output from telephones into hearing aids. Phase 1 (laboratory tests) was completed and a report prepared. Phase 2 (complementary subjective tests, using a panel of hearing-impaired subjects) was completed at the end of the year and the results are being analysed. A thorough appraisal of the results of the two phases is planned before any further work is undertaken. The WGHI also prepared a draft specification for amplified telephones.

3.45 The WGHI has, for some time, been investigating some of the problems of developing and obtaining approval of telecommunications apparatus designed specifically for disabled people. These problems appear to be inherent in the regulatory regime. The WGHI has prepared a report which reviews these problems and possible ways of alleviating them, which is now being considered by OFTEL.

3.46 The WGHI keeps in touch with relevant activities of the European Organisation for co-operation in the field of Science and Technology (COST) and notes the growing interest in telecommunications for disabled people.

CONSUMER AFFAIRS

Codes of Practice for Consumers

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

4.2 MCL began to provide switched voice telephony services in 1986 but it was not until late in 1987 that there was agreement on the principles of a draft Code of Practice. Work around those principles on the details of the Code continued throughout most of 1988 and the Code was published in December.

4.3 Condition 27 of BT's licence requires it to consult the Director General at least every three years about the operation of its Code of Practice. After extensive consultations with the national Advisory Committees on Telecommunications, with local Telecommunications Advisory Committees (TACs), and with national consumer groups, discussions between OFTEL and BT began in 1987 and were continued into 1988. Agreement was reached on a whole range of improvements to the Code and a revised Code will be issued when details of the arrangements for BT's limited liability scheme have been finalised.

Telecommunications Code

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

Complaints about Telecommunications Services

4.5 The main areas of concern to residential and small business users of telecommunications services and apparatus are reflected in the representations made to OFTEL and to the four national Advisory Committees on Telecommunications (see Appendix 2).

4.6 The figures for 1988 show representations running at roughly the same level as for 1987. The figures for 1987 were themselves a 77 per cent increase compared with 1986 and to some extent demonstrate a sustained level of dissatisfaction with BT. However surveys have shown that OFTEL is becoming more widely known—30 per cent of respondents in 1988 had heard of OFTEL compared with 13 per cent in 1987 according to NOP Market Research Ltd surveys—and so the complaints statistics may partly reflect the fact that customers have a greater awareness of where to register their complaints. Nevertheless, the Director General is concerned that BT appears to have failed to respond adequately to customers' complaints by improving its own complaints-handling procedures. Discussions began with BT during the year about its complaints handling and these will provide the basis for a detailed review of the way in which improvements can be achieved.

4.7 Consumers' concern in 1988 has continued to centre around disputed accounts, charges and rentals, delays in providing service, and delays in dealing with faults.

Public Call Box Services

Reliability

4.8 The terms of BT's licence require it to maintain public call box services to meet all reasonable demand. Following work in 1987 which indicated that service was not being provided at an acceptable level, discussions with BT led to the company setting itself a target of having 90 per cent of call boxes working by the end of March 1988. A joint OFTEL/BT monthly survey was undertaken to monitor progress and results confirmed that the target was achieved, with 92 per cent of boxes working in the period 5 March to 1 April 1988, and that serviceability remained above 90 per cent after March 1988.

Competition

4.9 Following the issue of the Director General's determination about payphones in November 1987, MCL offered a public payphone service for the first time in 1988. Its initial sites were at two London British Rail termini (see paragraph 2.4).

Modernisation

4.10 BT's public call box modernisation programme has continued, with most of the familiar red kiosks now replaced with the new housings (though some of the red boxes have been retained under preservation orders); and with more call boxes converted to Phonocard installations. OFTEL has continued to monitor the introduction of Phonocard boxes to ensure that BT maintains sufficient cash call boxes to satisfy consumer preference (though high levels of theft-related vandalism sometimes mean that all the call boxes in an area have to be Phonocard in order to be able to provide a service at all).

Quality of Service

4.11 The work on measuring the quality of telephone services continued in 1988. As in earlier years OFTEL commissioned Omnibus Surveys of public opinion from NOP (Market Research) Ltd to examine aspects of the domestic telephone service.

4.12 In addition to these surveys, a twelve month exercise to monitor BT's fault repair service carried out by TAC volunteers was concluded in April 1988. Only limited information was obtained, mainly because the incidence of faults for most subscribers is low and it is difficult to obtain a satisfactory sample on which to base conclusions. To complement this survey of residential subscribers an attempt was made to collect similar information from business users. However the response was disappointing and the returns received did not constitute a representative sample.

4.13 In December 1988 an OFTEL report was published containing the results of the surveys by the TACs and by NOP on the quality of the domestic telephone service in 1988, and details of the representations received by OFTEL about telecommunications services. BT's six monthly reports on its quality of service showed that its performance improved significantly in the early part of the year from the low levels of 1987 and that this improved performance was maintained. In 1988 MCL commenced publication of its six monthly reports and also demonstrated improvements in performance during the year.

4.14 The Director General decided that OFTEL will continue to conduct independent investigations into quality of service,

concentrating on areas not covered by BT's statistics or where additional information is required to supplement BT's figures. This will include the commissioning of further public opinion surveys. He also decided to ask TACs to help in a further survey of call quality along the same lines as the exercises carried out in 1986 and 1987.

4.15 An on-going survey run jointly by BT and OFTEL commenced in April 1988 to measure the extent to which calls to the Directory Enquiry service failed to obtain a ringing tone due to congestion.

Liaison with Local Advisory Committees

4.16 During 1988 the Secretary of State granted recognition under section 27 of the Act to a further five TACs as representing the interests of local telecommunications users. This brought to 162 the total number of TACs in the United Kingdom: 133 in England, 15 in Wales, 9 in Scotland and 5 in Northern Ireland. OFTEL has continued to maintain liaison with the TACs through its *Newsline* publication and through day-to-day contacts between the Consumer Affairs Section and Committee officials. OFTEL officials also attended regional and national meetings of TACs, as well as visiting some Committees for local meetings.

4.17 The TACs continue to provide a great deal of information which forms an important part of OFTEL's monitoring function. The views of the Committees on a whole range of telecommunications-related issues are an essential part of the Director General's canvassing of consumer opinion.

INFORMATION AND PUBLICITY

Statutory Registers

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

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

5.2 At the end of 1988 the register of licences numbered 353 excluding renewals. The number of new licences issued in 1988 was 122. 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. 540 contractor approvals were in force at 31 December 1988. Details of the 1988 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 1988, there were 9,675 approvals in force. Details of 1988 approvals for apparatus are given in Section 3.

5.5 During 1988 key particulars of apparatus approvals and contractor approvals continued to be entered on computer to facilitate the handling of public enquiries. A total of 1,144 such enquiries were made in 1988. All registers are available for public inspection at OFTEL's Library between 10 am and 4 pm on normal working days.

Publications

5.6 OFTEL published 35 new publications during 1988, including a Consultative Document on the Regulation of British Telecom's Prices which was followed later in the year by a Statement from the Director General on the Control of British Telecom's Prices. Other Statements from the Director General included those on Chatlines and Message Services and British Telecom's Contract Terms and Conditions. A Report on the Telephone Service in 1988 was also published. Three issues of *OFTEL News* were published, circulation of which has now risen to over 18,000 copies. The illustrated booklet *Explanatory Guide to the Class Licence for the Running of Branch Telecommunication Systems* was published in April.

5.7 The following Statements were published by the Director General during 1988.

February	— Talkabout
March	— Representations on Behalf of PanAmSat — Telecommunications Standards Review Committee — British Telecom's Contract Terms and Conditions
June	— Approval of PTO Call Metering Systems
July	— The Control of British Telecom's Prices — Chatlines and Other Message Services

A full list of publications issued by OFTEL during 1988 is shown at Appendix 5 to this Report.

Press and Broadcasting

5.8 Both radio and television demonstrated a keen interest in telecommunications and the Director General took advantage of many opportunities to explain his policies on a wide range of business and consumer programmes. Television appearances included 'Business Daily' (twice), '4 What Its Worth', 'A Week in Politics' and 'Reporting London'. He also gave television interviews for ITN and BBC Television News and participated in programmes for Danish and Dutch television. Radio broadcasts included 'You and Yours' (4 times), IRN News (6 times), BBC Radio News, 'World at One', 'Today', and a programme for Norwegian radio. In all, twenty-nine radio broadcasts were made.

5.9 OFTEL's work, and the Director General in particular, continued to receive comprehensive coverage in the national, regional and technical press. Thirty-six press releases were issued during 1988. The Director General pursued his policy of openness with the media and gave many interviews and briefings to senior journalists in addition to four press conferences held at OFTEL during the year. This not only achieved excellent coverage but also ensured informed debate of complex issues.

Conferences, Seminars and Exhibitions

5.10 The Director General and senior OFTEL staff continued to undertake a full programme of speaking engagements both in the UK and overseas. This enables OFTEL's strategies and regulatory activities to be explained effectively to industry, consumerists and administrations in other countries. Among the overseas seminars at which the Director General spoke were events held in Tokyo, Lausanne, Geneva, Singapore, Madrid and locations in the USA. The Deputy Director General addressed a seminar in Bonn.

5.11 OFTEL continued to participate in exhibitions aimed at the telecommunications industry and consumers. *Communications '88* held at the National Exhibition Centre in May, and the 21st Telecommunications Managers Association Annual Conference held in Brighton in November were the most prestigious of the trade events held during 1988. On the consumer front OFTEL again supported the National Association of Citizens Advice Bureaux Conference held in York and the Consumer Congress held in Newcastle during July. The Advisory Committee on Telecommunications for Elderly and Disabled

People (DIEL) exhibited at *Naidex 88* held at the Alexandra Palace in October and the Advisory Committee on Telecommunications for Small Businesses again attended the Confederation of British Industry Annual Conference.

5.12 OFTEL participated in the following events during 1988:

Telecommunications industry

May — *Communications '88*, NEC, Birmingham
September — *Comex*, Sandown Park
November — Annual Conference of the Telecommunications Managers Association, Brighton

Consumer events

June — Royal Highland Show, Edinburgh
July — Royal Show, Kenilworth
— Royal Welsh Show, Builth Wells
— Consumer Congress, Newcastle upon Tyne
August — Southend District Consumer Group, Southend
September — National Association of Citizens Advice Bureaux Annual Conference, University of York

The Advisory Committee on Telecommunications for Disabled and Elderly People (DIEL)

October — *Naidex 88*, Alexandra Palace, London

The Advisory Committee on Telecommunications for Small Businesses (BACT)

November — Confederation of British Industry Annual Conference, Torquay

Northern Ireland Advisory Committee on Telecommunications

March — Telecommunications Seminar, Belfast

OFTEL's Library

5.13 The Library's main function is to provide a bibliographical, reference and information service for OFTEL staff. However, members of the public may, by appointment, use the Library for reference purposes and to consult the public registers of approved apparatus, contractors and licences.

5.14 The Library also acts as a sales point for all OFTEL publications and produces a regular publications list along with a number of topical bibliographies. A total of 3,633 OFTEL publications were sold by the Library in 1988.

5.15 Towards the end of the year the Library began a review of its current stock and services to find out how far information needs were being satisfied and to assess the value of existing resources in terms of cost and usage. As part of this review, comments were collected from OFTEL staff and external visitors. With the information gained it is hoped that in future resources can be channelled more efficiently and the usefulness of the Library's services improved.

5.16 During the year, 750 people visited the Library and over 6,500 enquiries were answered.

TECHNICAL ACTIVITIES

6.1 1988 has been a year of steady growth for the Technical Directorate with the recruitment of a new Section Head to handle cases relating to Value Added and Data Services, especially OSI and Numbering. In addition the Directorate has managed to fill the first of its four vacancies at a middle grade with an engineer who has particular expertise in radio systems.

6.2 The main focus of the year has been on developing a strategic view of the future trends in telecommunications for the next decade. The Directorate has prepared a number of internal study papers on a variety of subjects including satellites, intelligent networks, low bit rate speech, broadband networks and optical technology. In addition members of the Directorate have worked closely with the team of consultants from Ovum Limited which has been studying the future development of numbering in the UK.

6.3 During the first half of the year, the Directorate provided technical support to DTI over the negotiation of bilateral arrangements with Japan and the USA to enable International Value Added Network (IVAN) Services to be run between the UK and those countries, and visited the Japanese Ministry of Posts and Telecommunications to discuss IVANS and numbering.

6.4 The Director General gave advice to the Secretary of State on the award of licences for satellite uplinks and Telepoint, and the Technical Directorate provided a technical assessment of the applications as part of the adjudication process.

6.5 The interconnection of BT's and MCL's networks and the problems concerning provision of service by BT in the London area were two major recurring issues which required technical advice. The Director General's reference to the Monopolies and Mergers Commission on chatlines and recorded message services also required technical advice on the possibilities of providing opting-in or call barring.

6.6 As a result of the Directorate's work on numbering following the liberalisation of Value Added and Data Services (VADS), OFTEL issued a consultative document on the use of Data Network Identification Codes (DNICs) and next year plans to publish a paper on the future arrangements for DNICs. The Directorate has also held a number of discussions on the arrangements necessary for X400 naming and addressing in order to encourage X400 service providers to establish a system for the registration of names.

6.7 The Casework Section has continued to experience fairly rapid growth—the number of specific cases with significant inputs handled during the year has risen to approximately 160. A fair proportion of these cases, though not as many as last year, has concerned disputes over bills, and so the section ran a monitoring exercise using OFTEL staff volunteers with subscribers' premises meters to monitor the metering of test calls which they made. This exercise identified a small number of problems but was reassuring in that it did not detect any major

faults such as metering at peak rate over a weekend, which had been the subject of complaints during 1987. Following the appointment of BABT to establish a scheme for metering approval, the Section provided BABT with a briefing based on the information and expertise accrued from casework. In addition to assisting on some of the major items mentioned above, the Section has also continued to provide a large amount of day-to-day advice on technical issues arising from the approvals regime, the provisional Networking Code of Practice and such diverse subjects as fibre optic services, cellular telephone service quality, '999' service, wiring in buildings for telephony and data services, telex services, PBX enhancements and PTO charges for a multiplicity of services including maintenance.

6.8 The Standards Section has continued to attend most of the TCT series of committees at BSI and also the briefing meetings concerned with CCITT studies and the rapidly growing work on European Standards within both ETSI and CENELEC where the UK's hard won expertise on the regulatory standards needed for a liberalised environment can make an invaluable contribution. To give some idea of the intensity of the work, this Section, which consists of a full-time Section Head and two part-time Consultants, has attended more than 260 standards meetings during the year.

6.9 The economics of telecommunications are strongly related to the technical way in which services are provided. With the prospect of the review of simple resale during 1989 and the current review of private circuit tariffs, the Technical Directorate is working increasingly closely with OFTEL's Senior Economic Adviser and his team, providing them with information about the micro-economic aspects of service provision.

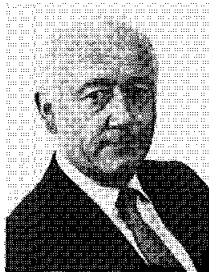
6.10 At the end of the year the Director General announced the appointment of Mr Arthur Orbell as the new Technical Director.

REPORTS OF THE ADVISORY COMMITTEES

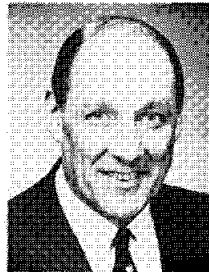
7.1 Under section 54(1) of the Act the Secretary of State was required to establish advisory bodies for telecommunications matters affecting England, Scotland, Wales and Northern Ireland respectively.

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.

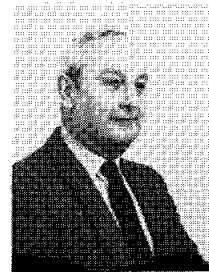
7.3 The following reports from the six ACTs have been made to the Director General as stipulated in Section 54(7) of the Act.



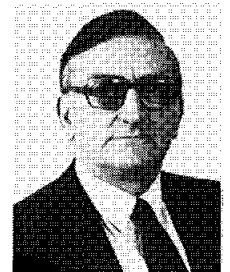
*Mr R Hutton,
Chairman of the
English Advisory
Committee on
Telecommunications*



*Mr W Begg OBE,
Chairman of the
Scottish Advisory
Committee on
Telecommunications*



*Mr T Lynch,
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 M Ashton,
Chairman of the Advisory
Committee on
Telecommunications for
Small Businesses*

Introduction

7.4 The English Advisory Committee on Telecommunications held seven meetings during the year. A list of the members of the Committee, as at 31 December 1988, follows this report.

Advice to the Director General

7.5 The Committee offered views and comments to the Director General on a number of issues during the year, in particular:

- (a) the regulation of British Telecom's (BT's) prices;
- (b) itemised billing—problems of confidentiality; and
- (c) liberalisation of master socket installations.

7.6 In response to the Director General's Consultative Document on the regulation of British Telecom's prices, we emphasised that competitive forces should be allowed to govern all telecommunications in an entirely free market. As, for the foreseeable future, the majority of ordinary users of telecommunication services would probably have no alternative supplier to BT, we endorsed the Director General's view that some form of price control formula would continue to need to be applied to BT's main services. We considered, however, that any such formula should be confined to only those areas of BT's business where it lacked effective competition at national or regional level. We argued that the Government and OFTEL should look to ways of creating more effective competition as early as possible in these monopoly areas, so as to enable the progressive removal of the need for artificial constraints on charges.

7.7 With this caveat, we recommended the continuation of the existing RPI-X formula for a minimum of three and a maximum of five further years. We considered that 'X' should be set at a figure which provided BT with a tough, but achievable, target to improve efficiency, and which also prevented it from obtaining excessive profits. We also felt that price caps should be placed on allowable increases for certain specific charges, like those for local calls and connection of service, within the general price control formula.

7.8 We were made aware that several organisations had expressed concern about the implications for certain confidential services of call itemisation when BT's itemised billing service becomes more widely available to customers, putting callers to various helplines and private counsellors at possible risk. The Committee, whilst recognising the particular problems involved, agreed with OFTEL in favour of total openness in itemised statements to customers. Members felt that technology now offered sufficient means of ensuring privacy and, therefore, that it was a matter for individual caring agencies to adopt appropriate means of ensuring their confidentiality without affecting the rights of those who paid telephone bills to receive a fully itemised statement of the calls for which they were charged.

7.9 The Committee also discussed the desire of many users, suppliers and private contractors to see the removal of the monopoly held by BT and the other PTOs in the installation and conversion of master sockets. Accepting the need for a well-defined network boundary, we recommended the introduction of a controlled form of liberalisation for such installations, whereby BT and the other PTOs would be required to license, or authorise, any individuals of demonstrated ability to carry out master socket installations. Under the terms of this recommendation, BT and the other PTOs would retain ownership and

legal authority over all master socket installations, irrespective of whether they were installed by their own engineers or independent installers. We considered that, in this way, there would be no confusion over where maintenance responsibility should lie. We also agreed that the telecommunications industry itself should operate a self-financing scheme, under which independent installers would be required to register and prove their competence.

7.10 During the year we discussed, at some length, the Committee's functioning. Recognising the statutory duty to advise the Director General on any matters which fall within his responsibilities, we took the view that, to fulfil the advisory function objectively, the Committee needed to stand apart from all vested interests. Lack of public awareness of the Committee's existence also gave some cause for concern. It was agreed that the Committee should be more widely known and, to this end, links should be established with the fullest possible range of organisations active in the telecommunications field. Appropriate measures are currently being taken to implement these decisions.

7.11 Another particular area of concern to the Committee has been problems associated with emergency '999' calls made from hotels. The death of a guest in a small hotel in Cornwall, whose husband dialled 999 from their room, but ambulance men were unable to gain access to the locked hotel in sufficient time, raised doubts within the Committee about whether some hotels' telephone systems and procedures were adequate in emergency. The Committee is currently exploring the scope for a possible joint initiative between the telecommunications and hotel industries to resolve these difficulties.

7.12 In our last annual report, we mentioned that ENACT was compiling a dossier of apparent discrepancies in BT's customer practices which it would wish to discuss with senior management of the company. This discussion took place in March, when the Committee met Mr Michael Bett, Managing Director of BT's UK Communications Division. A full and frank discussion took place over a wide range of issues, which included public payphones, fault repairs to telephone lines, Directory Enquiries, Phonebooks, deposits policy and the lack of a customer-friendly attitude on the part of some local staff. We were impressed by BT's sincere commitment at senior management level to seeking improvement at all levels in responsiveness to customer needs but, in our view, there are still too many instances where this message does not seem to have got through to all staff at local level. We intend to monitor BT's progress in these matters and shall seek further discussions with senior management if we consider that there are still grounds for expressing dissatisfaction on these or other aspects of services to customers.

7.13 During the year, members have continued to widen their knowledge and familiarity with telecommunication matters in general. The Committee received an overview from the DTI of the implications for telecommunications in the UK and progress towards the European Community Single Market in 1992, and this is an area which the Committee is likely to address further in 1989.

7.14 Finally, the Committee would wish to record its appreciation of the assistance it has received from the Secretariat, without which it would have been unable to operate.

*Chairman and
Members of the
Committee*

Chairman

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

Members

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

Mr S J Cooper, Retired Company Director.

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

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

Mr J Maynard, Director of Special Projects, Société Internationale de Télécommunications Aeronautiques; former General Manager, Business Development and Telecommunications, British Airways plc; Chairman, IATA Telecommunications Strategy Group; Chairman, Aviation Satellite Group.

Mr D O Michel OBE, GL Michel and Sons Ltd, Leather Merchants; Chairman, Midland Region TACs; Chairman, Northamptonshire TAC; former Member, Post Office Users' National Council; former President, Northamptonshire Chamber of Commerce and Industry.

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

Mr A C Squires, Group Telecoms Executive, Rank Organisation plc; Director, Telecommunications Managers Association Ltd.

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

Introduction

7.15 1988 saw the appointment of a new Committee Chairman, Mr William Begg OBE, on 10 May; and the appointment of a new member on the Committee, Mr John Campbell, on 5 January. Brief biographical details of Mr Begg and Mr Campbell are given with those of the other members of the Committee at the end of this report.

7.16 The year also witnessed a change of Committee Secretary, with Mr Robert King succeeding Mr Malcolm McNab in that capacity. Although Mr McNab officially retired from the Secretariat at the end of June, he continued to provide support to the Secretariat on a consultancy basis until the end of September, thus concluding a memorable term as Secretary to both this Committee and to the Post Office User's Council for Scotland, which term spanned some 13 years. We wish to record our thanks and appreciation to Mr McNab for his valuable contribution to the work of the Secretariat during that time.

Work of the Committee

7.17 The Committee held four meetings during the year, in February, May, September and December. The February meeting was attended by Mr N Hartley (Senior Economist, OFTEL); that for May, by Mr E Jackson (BT Director of Operations), Mr N Macdonald (BT Area Manager, West Scotland District), Mr R Cozens (OFTEL) and Mr M R Smith (Consumer Affairs Division, DTI); that for September, by Mr R G Beckinsale and Mr J Simpson (Mercury Communications Ltd); and that for December, by Mr N Macdonald (BT Area Manager, West Scotland District). Among the main items considered, some of which are expanded upon later in this report, were the following:

- BT price control formula
- Lightning damage
- Weatherline/Mountain Service
- Itemised billing
- Liaison with the Scottish Development Agency
- Telephone calls from hotels
- Telepoint services
- Presentation by Mercury Communications Ltd
- Possible charges for BT's Directory Enquiry service.

Specific aspects of the Committee's consideration of some of these topics may be related as follows.

BT price control

7.18 In response to a Consultative Document on price control circulated by OFTEL in January, the Committee offered a number of recommendations which included support for a continuation of the Retail Prices Index (RPI) minus X formula to control BT's prices. A new formula of RPI-4.5 per cent was announced by the Director General of OFTEL on 7 July: this will replace the present RPI-3 per cent formula which has been in place since BT was privatised, and will take effect from 1 August 1989. The Committee remains concerned however that the new arrangement agreed between OFTEL and BT for controlling the latter's prices does not include any provision for capping the present level of payphone prices, and this is an area of pricing policy which the Committee intends to continue to monitor carefully.

Itemised billing

7.19 Earlier in the year the Secretariat provided OFTEL with members' views on this proposed service following the circulation of a consultation paper on the subject. The clear recommendation of members generally was that itemised billing for BT customers should be introduced as soon as practicable. Some concern was expressed over the need to ensure that itemised billing of telephone calls did not prejudice the interests of the individual consumer in relation to confidential calls to agencies such as the Samaritans, and this is an aspect which has required further discussion with BT. It is generally accepted that the most efficient way of preserving such confidentiality would be to introduce a Freephone service to the agencies concerned, but the question of responsibility for payment for a service of this kind remains a matter for detailed consideration.

7.20 Since commenting on this issue, the Committee is pleased to note that itemised billing has now been introduced on a limited scale in two of the three BT Districts in Scotland (East Scotland and West Scotland—North Scotland expects to be in a position to offer the new facility early in 1989). At this stage it is too early to gauge public reaction to the initiative, although a more comprehensive assessment of developments in this area should be available in the Committee's 1989 report (see also further remarks in paragraph 7.29).

Telephone calls from hotels

7.21 The Committee has registered its concern with OFTEL over the practice which exists whereby hotels are enabled to 'surcharge' guests for telephone calls made to an outside party, resulting in an unrealistically high cost to guests for this service. It is hoped that OFTEL will be able to investigate this matter and issue appropriate guidance in due course.

Possible charges for Directory Enquiry service

7.22 The Committee is generally supportive of any moves to introduce charges for use of the Directory Enquiry service, provided such charges are offset by a reduction in the cost to the consumer of other BT services. The introduction of charging for this service will hopefully alleviate growing pressure on BT to improve Directory Enquiry response times: present difficulties over access to the service are generally thought to be due in the main to excessive use by company PABX operators who are either unwilling or unable to consult individual telephone directories, resulting in unnaturally high demands on the service to the exclusion of ordinary consumers requiring access for genuine reasons.

7.23 The Committee anticipates that, if Directory Enquiry charges are introduced, special provisions will apply for disabled people, particularly blind people.

7.24 The Scottish Development Agency was set up by Act of Parliament in 1975 to help build a strong Scottish economy and a better quality of life for the Scottish people. The Agency has constantly to adapt to new areas of potential in the Scottish economy, and rapid changes in technology and its applications can present both an opportunity and a threat to that economy. With this in mind, the

*Liaison with the
Scottish Development
Agency*

Chairman, Secretary and a member of the Committee were invited to meet with SDA staff in October to discuss, *inter alia*, the effect of the current level of telecommunication provision on Scotland's competitive position both in terms of indigenous industries and inward investment, and the action required to maintain and improve that position. The SDA hopes to be able to address the issues raised at an early date, in consultation with this Committee as appropriate.

7.25 On a separate but related matter, the Committee noted with some concern a series of media reports which emerged during the course of the year, alleging that BT is lagging behind its European counterparts in the development of its telecommunications infrastructure within the UK as a whole. The reports suggest that, compared with progress being made in other European countries—in particular France, which expects to have a wholly digitalised telephone network by 1990—BT is trailing in this respect and will require to accelerate rapidly its digitalisation programme if UK investment opportunities generated by the abolition of EC trade barriers in 1992 are not to be lost. The Committee is particularly concerned to ensure that Scotland does not suffer unduly in this respect, and will continue to monitor the situation closely during the foreseeable future.

Mercury Communications Ltd (MCL)

7.26 At its September meeting the Committee was pleased to welcome Mr R G Beckinsale, MCL's General Manager in Scotland, and Mr J Simpson, the company's Major Accounts Manager, who gave a joint presentation to members on the work of MCL in Scotland. It was noted that in the 12 months since MCL was launched in Scotland, in October 1987, some £10 million had been invested in MCL's Scottish operation and the workforce had expanded from an original core of 20 employees to around four times that number. It has to be stressed however that the bulk of MCL's marketing effort in Scotland to date has been directed towards the business community, although MCL's '2300' domestic service is available in Glasgow and Edinburgh.

7.27 The Committee intends to maintain an overview of MCL's progress in Scotland and would hope to be able to announce further developments in its next annual report.

Telecommunications Advisory Committees (TACs)

7.28 The Committee maintained links with the nine Telecommunications Advisory Committees (TACs) in Scotland through exchange of minutes and being represented at meetings. The TACs provide information on standards of service in their own areas which is of value to the Committee and enjoy a close liaison with the BT District General Manager in whose area the TAC operates, and who is represented at meetings. There are still one or two areas in Scotland (notably the Northern Isles and the Borders) where there is no TAC representation and this issue will continue to be addressed as time and circumstances allow.

Complaints

7.29 Complaints about BT services by individual consumers continued to be investigated throughout the year and, as in previous years, by far and away the largest numbers of these related to disputed accounts. It remains patently obvious that, no matter how reliable BT's telephone call metering system may be, customers will continue to doubt the accuracy of this system until BT are in a position to make

itemised billing universally available (see paragraphs 7.19–7.20). The introduction of itemised billing to every telephone area in Scotland will hopefully not only reduce the level of disputed account cases handled by this Secretariat, but should also result in significant savings in staff time in BT's Accounts Department.

7.30 Perhaps the most unusual case dealt with by the Secretariat during the year concerns that of a subscriber in Ayrshire who permitted a friend regularly to use her telephone over a period of time to make reverse-charge calls to a residential number in Aberdeen, on the understanding that such calls would be made only on that basis, ie involving no cost whatsoever to the Ayrshire subscriber. When the subscriber in Aberdeen was billed for these calls (some £500 worth of calls were made in this way), and subsequently not only failed to make payment but also proved ultimately to be untraceable, BT in Aberdeen decided to pursue the matter with the subscriber in Ayrshire, asking that she reimburse BT for all reverse-charge calls made on her telephone to the Aberdeen number. The subscriber complained to this Secretariat to the effect that she could not comprehend why BT should make her responsible for payment of calls attributed to another party, and the matter has now been referred to OFTEL who have approached senior BT officials in London for a full explanation of the legal justification for the local action taken in this case. At the time of writing the outcome of this approach is awaited.

7.31 The Committee continues to be concerned that many consumers are unaware of its function, so much so that plans are now in hand to produce an explanatory leaflet which details the work of the Committee and how it can help in trying to resolve individual consumers' complaints about any aspect of telephone service in Scotland. It is hoped to have the new leaflet available by the summer of 1989 for distribution to Citizens Advice Bureaux and other community service outlets.

7.32 This section of the report could not be made complete without inserting a word of thanks to the staff of BT in Scotland for the help and co-operation afforded the Secretariat in its handling of customer complaints. Not every complaint is resolved to the customer's satisfaction, of course, but where BT has been able to admit that a customer has been inconvenienced in some way, they have done so freely and with goodwill. This is very much appreciated by all concerned.

7.33 A summary of representations about BT services received by the Committee Secretariat during the year is given overleaf, with 1987 figures shown also for comparison.

<i>Nature of complaint</i>	<i>1988</i>	<i>1987</i>
Disputed accounts	618	657
Provision of service	188	173
Charges/rentals and billing	277	271
Other standard services	93	122
Deposits	115	50
Operator/Directory services	32	47
Payphones	16	41
Miscellaneous	49	60
International services	4	7
Phonebooks/Yellow Pages	67	51
Text transmission	21	5
Wiring	17	19
Tariff increases	1	—
Fault repair service	67	79
Value added services	16	4
Apparatus	46	60
TOTAL	1,627	1,646

Other Matters

BT/HIDB Highlands and Islands Initiative

7.34 At the September meeting of the Committee, members were able to view a promotional video on BT's £14 million Highlands and Islands Initiative, which resulted from HIDB consultations, to introduce Value Added Network Services in the Scottish Highlands and Islands area. The Committee very much welcomes this initiative which is currently the subject of discussions with the Government about possible funding.

Public call boxes

7.35 The improvement in payphone service referred to in the 1987 report appears to have been maintained, and the Committee is pleased to note BT's continuing commitment to ensuring growth in this area. The introduction of BT's new-style telephone kiosks has gone some way towards alleviating the problems of kiosk vandalism, given that the new kiosks are better lit and generally more robust. A further significant factor in the campaign to reduce kiosk vandalism has been the introduction of Phonecard kiosks which are of course cash-free and therefore of little interest to the vandal who is also looking to profit by his work.

7.36 The number of public call boxes installed in Scotland now stands at 7,331 (at December 1988). This represents a growth rate of 2.6 per cent when compared with the equivalent figure quoted in last year's report (7,143).

BT compensation scheme for late exchange line provision and repair

7.37 BT's East of Scotland District was one of three Districts in the UK chosen earlier in the year to test the new arrangements for payment of compensation to customers for late installation of exchange lines or for late repair of totally faulty exchange lines. The East of Scotland trial commenced in September and the new scheme will be introduced nationally from 1 April 1989. First indications are that the

test arrangements are working very satisfactorily: further progress will be reviewed in the Committee's 1989 report.

Provision of service

7.38 The Committee was given figures at its December meeting on provision and quality of service in Scotland which demonstrate that BT is continuing to maintain an acceptable standard of performance in its area of activity.

Committee visit to BT offices in Glasgow

7.39 In December BT's West of Scotland District invited Committee members on a tour of the Central Telephone Exchange in Pitt Street and of the new Customer Service System facility at Westergate, both in Glasgow. The tour of the Central Exchange included an inspection of BT's Central Repair Service Centre and a demonstration of the function of external fibre optics in telecommunications technology; whilst that of Westergate concentrated on BT's new Customer Service System for the West of Scotland District which is Europe's largest civil computing project, and the world's first computer system designed to pull together all the main elements of customer service performed by a telecommunications company. Both tours were excellent and the Committee wishes to record its thanks to the BT staff concerned for the professionalism of presentation and for the hospitality extended to members on the day.

Christmas/New Year service

7.40 Once again, customers in Scotland benefited from cheap call rates offered by BT from 6.00 pm on Thursday 22 December 1988 until 8.00 am on Wednesday 4 January 1989. This extended concession has been in operation in Scotland since 1985.

*Chairman and
Members of the
Committee*

Chairman

Mr W K Begg OBE, Managing Director, Begg, Cousland (Holdings) Ltd; Chairman and Managing Director of Begg, Cousland & Co Ltd; Governor, St Mary's School (Melrose) Ltd.

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.

Mr J P Campbell FRAS, JP, Farmer; Chairman and Managing Director, Glenrath Farms Ltd, Peebles; Member of Council, Scottish National Farmers' Union; Honorary President, Peebles Agricultural Society; past President, Peebles Area NFU; Councillor, Tweeddale District Council.

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

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

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

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

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

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

Mr D G Walker BA, AIB(Scot), APMI, Director, Antony Gibbs Benefit Consultants Ltd; Member, Post Office Users' Council for Scotland.

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

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

Secretariat

Mr R L L King, *Secretary*

Miss D Sweeney, *Assistant Secretary*

*REPORT OF THE WALES ADVISORY COMMITTEE ON
TELECOMMUNICATIONS FOR THE YEAR ENDING
31 DECEMBER 1988*

7.41 The Committee met three times during the year—in March at Newtown, in May and October in Cardiff. Representatives of OFTEL were present at two of the meetings. The Annual Conference of the Committee and Telecommunications Advisory Committees in Wales and the Marches was held at Llandrindod Wells where the guest speakers were Mr Mike Marsden, District General Manager of BT North Wales and the Marches, and Mr Terry Lloyd of OFTEL.

7.42 Professor Webster, Chairman of the Committee since its inception in August 1984, resigned at the end of May 1988. We are grateful for the considerable amount of effort he put into the work of the Committee, particularly that of initiating, and following up, the Clemdale Report on Telecommunications in Mid Wales—which led to the setting up of the Business Resource Centre at Montgomery College of Further Education in Newtown, Powys. We extend our thanks and good wishes to Professor Webster on his retirement from the Committee.

7.43 In August 1988 the Secretary of State for Trade and Industry appointed Mr Terry Lynch as Chairman.

7.44 The Chairman and Committee also wish to thank Mrs Iris Price Jones and Mr John Beard, who retired in May 1988, for their valued services over many years and extend to them our good wishes for the future.

7.45 We were sorry, however, to learn of the death of Mr Trevor Jones in November 1988. The Chairman and members extend to Mrs Jones their deepest and sincere sympathy.

7.46 We were pleased to learn during the year that Professor Webster had been awarded the Order of the British Empire and Mr Witting had been awarded a Professorship. We offer them both our warmest congratulations.

7.47 During the year the Committee gave its views to the Director General on a number of topics. These included:

- Price control
- Payphone liberalisation
- Charges for Directory Enquiries
- Approval of PTO call metering systems
- Itemised bills—confidentiality

*Telecommunications
Advisory Committees
(TACs)*

7.48 The Committee continues to value the work carried out by TACs. They have dealt with local issues, taken part in surveys and responded to OFTEL consultative papers.

7.49 We regret to say that it has still not been possible to form a committee in Mid Glamorgan but efforts are continuing. We were sorry to learn during the year that the Cardiff Chamber of Commerce resigned as Secretary to the Cardiff and District TAC, particularly so since the Committee had been in existence since about 1912. The Chairman and members of the TAC are making strenuous efforts to obtain secretarial support. We would, nevertheless, wish to thank the Chamber for its services over many years.

Telecommunications in Mid Wales

7.50 The Business Resource Centre at the Montgomery College of Education was opened in March 1988. We congratulate BT, Mid Wales Development, Powys County Council and others in providing the finance necessary to set up this Centre. Members of the Committee had the pleasure of visiting the Centre prior to the official opening and we wish the Director of the Centre every success.

Public Call Boxes

7.51 BT has notified the Committee of the withdrawal of one public call box during 1988—on the grounds of low revenue.

7.52 The Committee has, however, been concerned for a number of years about the quality of service at public call boxes. Surveys carried out by OFTEL during 1986 indicated that at any one time 17 per cent of call boxes were out of order. A survey carried out in 1987 showed that 23 per cent of call boxes were out of order. Following pressure from the Director General of Telecommunications BT embarked on a nationwide programme to improve the efficiency of the public call box network and set itself a target of having 90 per cent of its boxes in working order.

7.53 Independent surveys carried out at the end of 1987 and the beginning of 1988 showed that the programme had been successful. In Wales the percentage of boxes found to be in working order at any one time rose from 73 per cent to 93 per cent. Surveys carried out early in 1988 by Telecommunications Advisory Committees in Wales have shown that out of 328 call boxes checked 309 were found to be in working order (94.2 per cent). BT are to be congratulated on exceeding its target. A new target of 95 per cent has now been set. The local committees, however, drew attention to the lack of information, lighting and shelves in many of the boxes. Hopefully, as BT's modernisation programme proceeds, many of these failings will disappear.

Complaints

7.54 The number of written representations about PTO services received by the Wales Advisory Committee on Telecommunications for the period 1 January to 31 December 1988 are shown below. All relate to BT with the exception of three which relate to cellular radio services. For comparison 1987 figures are also given.

<i>Nature of complaint</i>	<i>1988</i>	<i>1987</i>
Disputed accounts	369	192
Provision of service	70	54
Other billing matters	133	113
Quality of service	72	48
Operator and Directory services	8	12
Payphones	6	14
Fault repair services	31	29
Other matters	38	49
TOTAL	727	511

7.55 As will be seen from the figures given above, the number of representations received has increased markedly over the figures for

1987. As usual, many of the complaints are about telephone accounts. We have referred in previous reports to the need to bring in itemised billing as soon as possible so as to allay some of the doubts of BT's customers about the accuracy of their bills. We were aware in April 1988 that itemised bills would be available within one year in Risca, Newport, Cardiff, Bridgend and Swansea. At the end of the year we were disappointed that BT was unable to say when itemised billing would be introduced in these areas. We were, however, pleased to learn that 14,000 customers in the Wrexham area would have the option of receiving itemised bills early in 1989. At the end of the year approximately half a million of BT's customers had this facility in the UK.

7.56 We must, however, draw attention to the number of cases where high telephone bills have arisen through the use of 'chatline' services. We welcome the action taken by the Director General in referring the matter to the Monopolies and Mergers Commission and we hope that procedures can be adopted whereby the person responsible for paying the telephone bill can have control over its usage. We welcome also BT's action in suspending its own Talkabout services although this did not appear to be a problem in Wales.

7.57 We would also wish to draw attention to the increase in the number of complaints about delays in providing, or enhancing, telephone services. In some cases the delays have been as much as five to six months. Whilst these delays are not widespread, there are evidently pockets within Wales where there are delays of this magnitude. It is unfortunate that in some cases customers were not informed early enough about the delays; indeed some customers were assured that there would be no delays.

7.58 It is evident, also, from the complaints received that there are weaknesses in BT's complaints handling procedures. Customers sometimes need to make two or three enquiries before action is taken and they are not always kept informed about problems and delays encountered.

7.59 We wish, however, to thank BT staff for the efficient way they handle complaints we refer to them and we know from experience that if BT is aware that customers have particular problems—disabled, chronic sickness, blind etc—it can be most sympathetic. We urge customers to inform BT of their particular problems.

7.60 We drew attention in last year's report to the delays in forwarding complaints received by OFTEL. This continued to be the case early in 1988 but we are glad to say that this has improved. We still urge, however, that the name and address of the Committee should be given on telephone accounts sent to customers in Wales.

*Chairman and
Members of the
Committee*

Chairman

Mr T D Lynch, Solicitor; Chairman, Social Security Appeal Tribunal; Vice Chairman, Shore Group of Housing Associations (*from August 1988*)

Professor J R Webster, Dean of Faculty of Education, University College of Wales, Aberystwyth; Chairman, Post Office Users' Council for Wales; Member, Post Office Users' National Council (*until May 1988*)

Members

Mr J G Beard JP, Trade Union Officer, TGWU (*until May 1988*)

Mr D P L Davies FCA

Mr D R Dutton JP

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

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

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

Mr D T Jones, Company Director (*until November 1988*)

Mr L C Murphy JP, Manager, Sheltered Workshop for the Disabled; Member, National Association of Local Councils, Welsh Committee; Member, Llanelli and Dinefwr Post and Telecommunications Advisory Committees.

Mrs I Price Jones JP (*until May 1988*)

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

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

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

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

Secretariat

Mr B Lewis, *Secretary*

Mrs G M Rich, *Assistant Secretary*

Introduction

7.61 The Committee met on seven occasions including a special meeting convened to discuss itemised billing and the problems of confidentiality. One of the meetings was held at the Royal Group of Hospitals in Belfast.

7.62 During the year the Chairman was pleased to welcome a number of visitors to the Province when presentations were made to meetings of the Committee and also to speak at the Seminar in March. In particular the Director General of Telecommunications was welcomed again to the Province as a keynote speaker at the Seminar.

7.63 Mr Alfie Kane, Chief Executive of British Telecom in Northern Ireland (BTNI) has given valuable assistance to the Committee. He was also the main speaker at the Seminar and good wishes are extended to him in his new position in the North West of England. Throughout his time as Chief Executive close links were maintained with his Department.

7.64 Congratulations also were extended to Committee member Mr J McDonald on his award of the MBE in the 1988 New Year Honours List.

7.65 Now that the Committee has been brought up to its full strength and coverage extends throughout the Province the Committee's direction has been changed and more time is devoted to the many changes taking place in telecommunications. Throughout 1988 there were many more consultative papers and discussion documents than in previous years and most of the Committee's time was spent in reviewing these and submitting a Province-wide view.

7.66 Recognising the need to involve interested parties a decision was taken to convene a Conference/Seminar. This took place on 10 March and approximately 100 people attended. The keynote address was given by Professor Sir Bryan Carsberg and the Chairman was pleased also to welcome Mrs Sally Davis from Mercury. Such was the success of this Seminar that requests were made to repeat it in 1989.

7.67 Mrs Margaret Craig represented the Northern Ireland Committee at the Consumer Congress held in Newcastle Upon Tyne in July 1988. She was also invited to join the Northern Ireland Committee of Consumer Interests.

7.68 The July meeting of the Committee was held at Newcastle, Co Down and the Chairman welcomed Mr Doug Riley, BT's new Chief Executive in the Province. The meeting was given over to Mr Riley to update the members on the current policy of BT and the way forward. This was found to be a most useful meeting.

7.69 At the meeting the Committee was pleased to learn of the standard of service currently being given with over 80 per cent of orders completed within eight working days, 90 per cent of faults cleared in two working days and 93 per cent of payphones serviceable. BT had financial commitments for modernisation and improvement of customer contact. Customer service continued to be a high priority and the importance to the community of serviceable payphones would be high on the list. Suggestions were made about working with local community groups to combat vandalism to public call boxes.

7.70 Mr Riley together with his team was congratulated on the quality of service currently provided in Northern Ireland.

Work of the Committee

7.71 In the early part of the year a response was made to the consultative paper on payphone liberalisation and the response included support in seeking licensing powers to permit companies other than Public Telecommunication Operators to operate public call boxes. It was also the Committee's view that the emergency '999' services should be free with access through the public payphones. Coin returns should be mandatory on public payphones both for when the call is not connected and when the coin(s) are unused at the end of the call. Other items considered under this heading included Directory Enquiries, operator services and provisions for hearing impaired people. It was the Committee's suggestion also that it should form part of the licence and Code of Practice.

7.72 The Committee also sent forward a report on PTO call metering systems. The Committee felt that the intrinsic accuracy of the existing meter systems was good. It was also the experience in the Province that errors are not due to poor quality control—we know that where tests have been carried out on lines by using a number of independent recording methods the equipment is accurate. Itemised billing over a trial period was carried out on the Chairman's and Secretary's private lines with precise results.

7.73 Mr N Hartley, Head of the OFTEL Branch dealing with Economics, Statistics and Accounting attended the February meeting where the Consultative Document on the Regulation of British Telecom's Prices was discussed. The Committee agreed that with the existing price control ending in 1989 it was essential to have a new rule to enable a proper control to be maintained. The Committee also agreed that the price control formula which should be applied should incorporate quality of service targets and also include provision for special tariffs for low volume users.

7.74 Other items which were discussed at meetings and views submitted to the Director General of Telecommunications included future telephone numbering arrangements, Telepoint licensing, itemised billing and problems of confidentiality, and restrictions on chatline services.

7.75 The Committee favoured full openness with call itemisation as it was felt that to remove confidential counselling numbers from itemised statements would amount to deception of those responsible for paying telephone bills.

7.76 At the time of the Committee's discussion, abuse of chatline services had not been a problem since these services were not provided in Northern Ireland. However, some indications were received towards the end of 1988 that mainland chatline services were being used by Northern Ireland callers, principally from business numbers. We looked into this but were unable to satisfy ourselves that use was very widespread.

Written representations about telephone services received in the period 1 January to 31 December 1988

	<i>1988</i>	<i>1987</i>	<i>1986</i>
Accounts	139	93	29
Charges	25	26	13
Quality of service	26	14	11
Provision of service	12	13	6
Public services	4	9	1
Directory services	2	3	2
Deposits	4	1	2
Miscellaneous	2	2	3
TOTAL	214	161	67

7.77 The Committee's Secretariat also deals with many direct calls for assistance and these are either handled by the Secretariat or referred to the proper authority for action. Throughout the year close contact was maintained with BT staff in the Province, who were particularly helpful in responding to queries and complaints referred to the Committee. In addition, the Committee received considerable help and guidance from the Secretariat, without this the task of the Northern Ireland Committee would be very much more difficult.

Provision of Service

7.78 The demand for telephone service in Northern Ireland remained buoyant during 1988. The size of the system, in terms of exchange connections, broke through the half million mark and at the year end was 507,560 representing a growth of 4.6 per cent during the year.

7.79 £14m was invested in the provision of a Customer Service System which came into operation on 13 June 1988.

7.80 Cellnet coverage is now widely available in most of the main towns and surrounding areas, except in the south western area of the Province.

Network Modernisation

7.81 Network modernisation, which began in 1986, continued during 1988 with over 106,000 customers now connected to 60 new digital exchanges throughout Northern Ireland and 82 per cent of trunk traffic carried in digital form. The continuing improvement in the quality of the network was demonstrated in February when 4,600 faults, caused by a major storm, were cleared in three working days.

Repair Service

7.82 The repair service handled 152,000 faults and 95 per cent of reported faults were cleared within two working days. Remote Access Customer Equipment, which allows remote diagnosis and repair of faults on customers' PABXs, was introduced in November.

Operator Service and Billing

7.83 Improved performance in response times to Directory Enquiries and the '100' service continued through the year with 92 per cent of Directory Enquiry and 89.6 per cent of '100' calls being answered within 15 seconds.

7.84 The option of payment by direct debit was introduced in late 1988.

Directories

7.85 An additional four Community Directories, including the largest to date—the Greater Belfast, were issued during the year, bringing the total to eleven. All customers in Northern Ireland now have access to a BT published local directory in addition to the Phonebook and Yellow Pages.

Payphones

7.86 The major modernisation programme continued throughout 1988 and an additional 185 payphones (including 60 cardphones) increased the population of public call boxes to 2,037 with a serviceability of 94 per cent. By the end of the year, 70 per cent of renters' coin boxes had also been modernised.

7.87 Two new services were introduced during the year:

- (a) Creditcall payphones were installed at seven locations to facilitate the use of credit cards from the major credit card companies.
- (b) Creditcard, introduced in November 1988, replaced the manual BT Credit Card Service and is available from all public payphones and ordinary MF signalling telephones.

7.88 The number of attacks by vandals fell by 250 to 1,500 and the cost to £170,000.

Summary of BTNI performance statistics

	1988	1987	1986	1985
Working exchange connections—percentage increase over previous year	4.6	5.5	3.2	4.3
Number as at 31 December	507,560	485,372	459,934	445,840
Waiting list as at 31 December	94	100	118	176
Percentage of customer orders completed within 2 weeks	90	90	85	81
Number of telephone kiosks	2,037	1,827	1,655	1,547
Number of vandalism attacks	1,500	1,750	1,900	2,000
Cost of vandalism attacks	£170,000	£200,000	£225,000	£250,000
Percentage of BTNI customers with direct 24-hour access to Fault Repair Centres	100	100	82	82
Percentage of network fault reports per exchange connection	0.14	0.14	0.17	0.19
Percentage of faults cleared by end of next working day	95	92	90	—

*Chairman and
Members of the
Committee*

Chairman

Mr J J Eccles JP, Past Chairman, NI Lay Magistrates Association; Board Member, the Fair Employment Agency; Member, Local Enterprise Development Unit; Member, Eastern Health and Social Services Board.

Members

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

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

Mrs E F Glover JP, Past Chairman, Federation of Women's Institutes of Northern Ireland; Member, Northern Board of Department of Health and Social Services; Lay Panel Member, Juvenile Courts.

Mr G H James, Chartered Accountant and Retail Trader.

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

Mr W Keown MBE, JP, Disabled Advisory Commission; Wm Keown Trust; Juvenile Court Magistrate.

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

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

Mr W C Magee JP, FPSNI, Retired Pharmacist.

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

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

Mr W J Whitley JP, National Chairman, Institute of Purchasing Management; Member, Lisburn Juvenile Court Bench; Member, NI Partnership; freelance College Lecturer.

Secretariat

Mr R T Jordan MBE, JP, *Secretary*

Mrs V McCrory, *Assistant Secretary*

*REPORT OF THE ADVISORY COMMITTEE ON
TELECOMMUNICATIONS FOR DISABLED AND
ELDERLY PEOPLE (DIEL) FOR THE YEAR ENDING
31 DECEMBER 1988*

7.89 The Committee met four times during the year. Three members resigned in this period for personal reasons—Miss Andrews, Mr Barrett and Mr Lidstone—and we would like to thank them for their contributions to the work of the Committee during its formative years. Three new members—Mrs Barrows, Mr Leighton and Mr Low—were appointed in the course of the year. A full list of members as at 31 December 1988 follows this report.

7.90 We welcomed the Director General of Telecommunications' agreement with BT on a new price control formula to be applied to BT's main telephone charges when the existing tariff control mechanism ends in summer 1989. We were especially pleased to learn of the agreement in principle with BT on an optional rental plan to replace the present low users' rebate scheme. As yet, details of this plan are rather sketchy but it would seem to offer subscribers the choice of a low rental of about 60 per cent of the present standing charge for a telephone line with graduated call charges according to the number of outgoing calls. We feel this would be potentially more beneficial to many more elderly and disabled telephone users who keep a telephone primarily as a lifeline for emergencies than the existing low users' rebate scheme which, as we suggested in our previous report, is ill-targeted. We expect to comment more explicitly on BT's proposals once these have been completed in 1989.

7.91 In our last report, we recorded that consultations had taken place with both BT and MCL about procedures whereby blind and certain other disabled people could continue to receive free access to the PTOs' Directory Enquiry services in the event of charges for access being introduced. These consultations continued during the period of this report and the current position is that DIEL has offered its comments and advice on proposals from both PTOs which they have agreed to take into account before formulating any final proposals for the approval of the Director General of Telecommunications. The Director General for his part has emphasised publicly that when either PTO seeks his consent to the introduction of Directory Enquiry charges he will wish to have the advice of the Committee as to whether the needs of blind and other disabled people are adequately protected.

7.92 The Committee's advice was also sought on a voluntary concession by BT whereby it proposed to continue to offer a free priority fault repair service to chronically sick and disabled people who are housebound, generally living alone and whose lives could be put at risk by the interruption of their telephone service. BT's licence entitles it to charge all those to whom it is required to offer a priority fault repair service (these include the public emergency services) as determined by the Director General of Telecommunications. For many years BT has given priority to repairing faults in the telephone service of several thousand seriously ill housebound people and DIEL was anxious to see this concession maintained and if necessary expanded. We therefore offered several comments and recommendations on the procedures which BT should adopt in future so as to enable all those unfortunate people who might qualify for this concession to be able to readily do so either personally or through their medical advisers etc. We regret that BT was unable to accept the inclusion of all the categories of people which we proposed should benefit.

7.93 During the year, OFTEL, in response to a recommendation from DIEL, commissioned a limited study of the telecommunications needs of disabled and elderly people with the aim of improving the level of factual, as opposed to conjectural, knowledge of the difficulties which many elderly or disabled people experience with telecommunications services. The results of the study, which was undertaken by the Age Concern Institute of Gerontology at Kings College, University of London, were still being considered at the end of the period of this report.

7.94 The Director General sought our advice on several topical issues of concern. These included the future regulation of BT's prices (as mentioned previously), the introduction of the new Telepoint services and the problem raised by itemised telephone bills for confidential counselling agencies. We welcomed the Telepoint service concept which, in our opinion, offered the prospect of greater freedom, especially to those confined to wheelchairs, to make telephone calls in public places. We urged, though, that the technology should at the outset offer reasonable access for hearing impaired people.

7.95 Although we sympathised with the dilemma which itemised billing posed for confidential telephone counselling agencies, we did not think it was right for calls to their telephone numbers to be removed from subscribers' statements in order to retain callers' privacy. The onus should rest on the counselling agencies themselves to find other means of retaining their confidentiality, as was done in the USA and other countries where itemised billing has been made generally available.

7.96 The Committee maintained regular contacts, through its Secretariat, with OFTEL and with the PTOs—BT and MCL in particular. A small group led by the Chairman met with representatives of BT's Action for Disabled Customers Unit to discuss BT's ongoing research and development into special equipment designed to cater for the particular needs of disabled and elderly telephone users. It was agreed that such meetings might be held on a six-monthly basis in order that DIEL could be kept abreast of progress on particular projects. Representatives from MCL attended the Committee's November meeting and gave a short presentation on how its private telephone and public payphone services could offer attractive alternative services for elderly and disabled people.

7.97 The Committee has also taken steps to raise its public profile both in the elderly and disabled community and in the consumer movement at large. DIEL took part in the *Naidex '88* exhibition on special equipment and services for disabled people at Alexandra Palace in October where it had an information stand to deal with enquiries by disabled people, social workers, etc, wanting advice on telephone aids for handicapped people. In addition, the Chairman and Mrs Rhodes represented the Committee at the 1988 Consumer Congress held at Newcastle University in July.

*Chairman and
Members of the
Committee*

Chairman

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

Members

Miss L Andrews, Physiotherapist and Editor/Compiler, Information Service, Disabled Living Foundation (*resigned from membership June 1988*).

Mr M Barrett, Council Secretary and Treasurer, National League for Blind and Disabled (*resigned from membership August 1988*).

Mrs S Barrows, Chairman, Friends of Brookwood Hospital; Member, North West Surrey Community Health Council (*appointed November 1988*).

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

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

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

Mr M King-Bear, National Telecommunications Officer, Breakthrough Trust.

Mr A Leighton, Director, Marketing and Communications, Royal Society for Mentally Handicapped Children and Adults (*appointed June 1988*).

Mr J Lidstone, Chairman, Association of Visually Handicapped Telephonists (*resigned from membership October 1988*).

Mr C Low, Head, London Boroughs Disability Resource Team (*appointed December 1988*).

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

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

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

Miss A Spokes, Vice-President, Age Concern, England; Former Chairman, Oxfordshire County Council.

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

*REPORT OF THE ADVISORY COMMITTEE ON
TELECOMMUNICATIONS FOR SMALL BUSINESSES (BACT)
FOR THE YEAR ENDING 31 DECEMBER 1988*

7.98 In March 1988 the term of appointment of the Committee's first Chairman, Harry Kleeman, ended. Mr Kleeman had taken over the Chairmanship of the CBI's Smaller Firms Council and this, together with his many other commitments, meant that he could no longer devote as much time to the Committee as he would have liked. He therefore advised the Director General that he did not wish to be appointed for a new term of office. We would like to take this opportunity to thank Mr Kleeman for his past efforts as Chairman of BACT and for guiding the Committee through its initial years. Our new Chairman, Michael Ashton, was appointed by the Director General in June 1988.

7.99 The Committee met on three occasions during the year. The Committee lost three members, Mr Blaxland, Mrs Harris and Mr White who were unable to continue due to the pressure of other commitments. We would like to record our thanks to them for their contributions to the work of the Committee. BACT gained the services of three new members, Mrs Barden, Mr Jordan and Mr Nichol. A full list of members as at 31 December follows this report.

7.100 In our last report, we referred to the need we perceived for an independent phone-in information bureau service for small businesses wanting basic advice on suppliers of telecommunications equipment and services. We were hopeful that it might prove possible to launch such a service during 1988. In the event our optimism proved ill-founded. The Committee met with representatives of the telecommunications industry but received little in the way of a positive response. In the absence of any firm evidence to the contrary, the industry seemed to adopt the view that adequate information and impartial advice is already available to businesses through publications like *What to Buy for Business*. We, on the other hand, felt that the average business person did not have the time to investigate telecommunications journals and we therefore asked the Director General to commission a study of small businesses to see whether our opinion was supported by small businesses generally. A limited survey was carried out during the autumn and its results were received shortly before the end of the year; they were still being evaluated as this report was being prepared. Nevertheless, a clear majority of the businesses questioned seemed to indicate that they would use a telecommunications advice bureau service if one were established. We intend to pursue this subject further in 1989.

7.101 The Director General asked for our advice on several matters during the year. These included:

- (a) the future regulation of BT's prices;
- (b) chatlines and recorded message services;
- (c) the introduction of Telepoint services; and
- (d) the quality of telephone services.

7.102 We were in favour of a continuation of the present RPI-X control over BT's main telephone charges and felt that X should be increased from the existing 3 per cent level to give BT a stronger incentive to improve efficiency. We were also of the opinion that some mechanism should be worked into the formula whereby BT would be penalised for failure to provide satisfactory service. In the event, the

Director General's agreement with BT covering the introduction of limited liability into BT's contracts from April 1989 reduced our concern on this score.

7.103 The growth of chatlines and recorded message services caused us much concern, not only because of the questionable quality of some of these services but also because of the fear that many small businesses might be unknowingly incurring heavy telephone bills as a result of employees accessing these premium charge services without authority and at no cost to themselves. In view of the fact that the vast majority of telephone line renters currently do not have call barring facilities available to them we considered that some form of prior approval from the renter should be necessary before callers can access these services. We therefore strongly endorsed the restrictions proposed by the Director General when he referred this matter to the Monopolies and Mergers Commission in July 1988.

7.104 The Committee gave a cautious welcome to the Telepoint public telephone concept. Our enthusiasm was tempered by the fact that the Government was proposing to license possibly as many as four separate operators whose systems would be incompatible with each other, at least initially. In our view four operators would be too many in an untested market, especially as estimates varied enormously on its potential size between now and two years hence. It was better, in our opinion, to restrict the number of licences to two and if these proved successful then introduce others at a later stage. We recognised that the Government intended to impose an obligation on all licensees to work towards an agreed common air interface within about 18 months of starting services but this still suggested that many customers who used Telepoint from the outset might find their particular CT2 equipment redundant in less than two years time. Furthermore, we did not share the opinion of those who argued that BT should be denied a licence on the grounds that it possessed unfair advantages over other businesses. In our opinion potential business users of Telepoint services would be looking for a service which was likely to offer base stations nationwide in the quickest time and at the lowest cost and BT was, in our view, probably in the best position to provide this.

7.105 During the year we took a close interest in the work being undertaken by OFTEL into monitoring the quality of service offered by BT and the performance reports produced by both BT and MCL. Based on our own experiences, we expressed some scepticism at the performance claimed by both PTOs for network reliability and operator services. Several of our members considered that line noise was a serious problem, especially in connection with data and fax communications, which was not satisfactorily addressed by either of the PTOs' reports. Whilst we appreciated that line noise was often a subjective evaluation, we considered that OFTEL and the PTOs should institute some form of published measurement which would at least give users some idea of what level of performance they could reasonably expect.

7.106 The Committee expressed the view that too much reliance seemed to be placed on the operators' own statistics and we felt that some form of external audit should be developed to test the reliability

of their performance claims. We were also disappointed that no figures were published showing regional variations in performance.

7.107 We expressed concern at the criticism of the quality of service experienced by users of the cellular radio telephone networks, some of which were supported by our own experiences. We took note of the investigation which OFTEL was still conducting into these claims at the end of the year. We received a presentation on its services from Racal Vodafone in December at which we were advised that congestion, one of the main causes of complaint, had occurred as a result of underestimating the growth in new cellphone users coming on to its network and that increased investment in capital equipment should remove this difficulty by early 1989.

7.108 It also seemed evident to us that many of the complaints made about the cellular services seemed to emanate from basic misunderstandings about the capability of radio-based telecommunications compared to fixed wired systems. There was also widespread evidence that many users of cellphones (and their callers) failed to understand fully the charges for which they were paying. The Committee plans to address these problems when it produces a basic guide to mobile communications in 1989.

*Chairman and
Members of the
Committee*

Chairman

Mr M Ashton, Chairman and Managing Director, Snell and Prideaux Ltd (*appointed June 1988*).

Mr H Kleeman CBE, Director, Carville Ltd (*appointment expired March 1988*).

Members

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

Mrs J Barden, Director, Barville Productions Ltd (*appointed November 1988*).

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

Mr R Blaxland, Director, Jones Lang Wootton Financial Services Ltd (*resigned from membership January 1988*).

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

Mr P Frymann, Sales Administrator, Geoffrey MacPherson Ltd.

Mr R Furey, Managing Director, Systems Solutions Ltd.

Mrs J Harris, Owner of L'Hirondelle boutique (*appointment expired April 1988*).

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

Mr M Jordan, Managing Director, Cornish Stairways Ltd (*appointed July 1988*).

Mr T Nichol, Director, Carefree Travel (*appointed February 1988*).

Mr E Roberts, Chief Executive, Heath Springs Ltd.

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

Mr G Thorpe, Multi-retail Grocer.

Mr J White, Joint Managing Director, Britannia Security Group Inc (*resigned from membership June 1988*).

APPENDICES

*APPENDIX 1
REPRESENTATIONS ABOUT PTO LICENSING
AND RELATED ISSUES FOR THE PERIOD
1 JANUARY TO 31 DECEMBER 1988*

British Telecom	
Tariffs and charges	699
Installation, maintenance, ownership of wiring and equipment	296
Unfair competition	98
Emergency/priority	18
Payphones	17
Equipment approval	10
Other	449
Mercury Communications	69
Kingston Communications	10
Branch Systems Licence	6
Radiopaging/mobile radio	249
Cable	3
Other	59
	TOTAL 1,983

*APPENDIX 2
REPRESENTATIONS ABOUT PTO SERVICES
RECEIVED BY OFTEL AND ENACT FOR THE
PERIOD 1 JANUARY TO 31 DECEMBER 1988*

Disputed telephone accounts	10,460
Charges/rental and other billing matters	3,562
Fault repair service	2,458
Provision of service	2,327
Standard of service	1,267
Payphones	822
Operator/Directory services	469
Deposits	283
International services	82
Other matters (advertising, electronic mail, etc)	2,052
	TOTAL 23,782

APPENDIX 3

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

1 Awareness of OFTEL

1.1 Percentage of people who have heard of OFTEL 1985–1988 Great Britain

	<i>Percentages</i>
August 1985	9
August 1986	12
August 1987	13
August 1988	30

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

2 Telephone Penetration Rates

2.1 Percentage of households with a telephone 1972, 1980–1987 Great Britain

<i>Year</i>	<i>Percentages of households</i>
1972	42
1980	72
1981	75
1982	76
1983	77
1984	78
1985	81
1986	83
1987	83

Source: OPCS—General Household Survey

2.2 Households with plug and socket telephone connections 1985–1988 Great Britain

	<i>Percentages</i>
August 1985	31
August 1986	39
August 1987	51
August 1988	57

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

3 British Telecom's Exchange Connections and Calls

3.1 BT's exchange connections in service by type of subscriber 1980–1988 United Kingdom

<i>Year (at 31 March)</i>	<i>Total exchange connections (000's)</i>	<i>Residential subscribers (000's)</i>	<i>Business subscribers (000's)</i>
1980	17,353	13,937	3,416
1981	18,174	14,671	3,503
1982	18,727	15,159	3,568
1983	19,186	15,546	3,640
1984	19,812	16,044	3,768
1985	20,528	16,596	3,932
1986	21,261	17,120	4,141
1987	21,908	17,549	4,359
1988	22,857	18,145	4,712

Source: British Telecom

3.2 BT's public and private rented payphones in service 1980, 1984, 1986–1988 United Kingdom

<i>Year (at 31 March)</i>	<i>Public payphones (000's)</i>	<i>Private rented payphones (000's)</i>
1980	77	286
1984	77	286
1986	77	296
1987	78	306
1988	81	320

Source: British Telecom

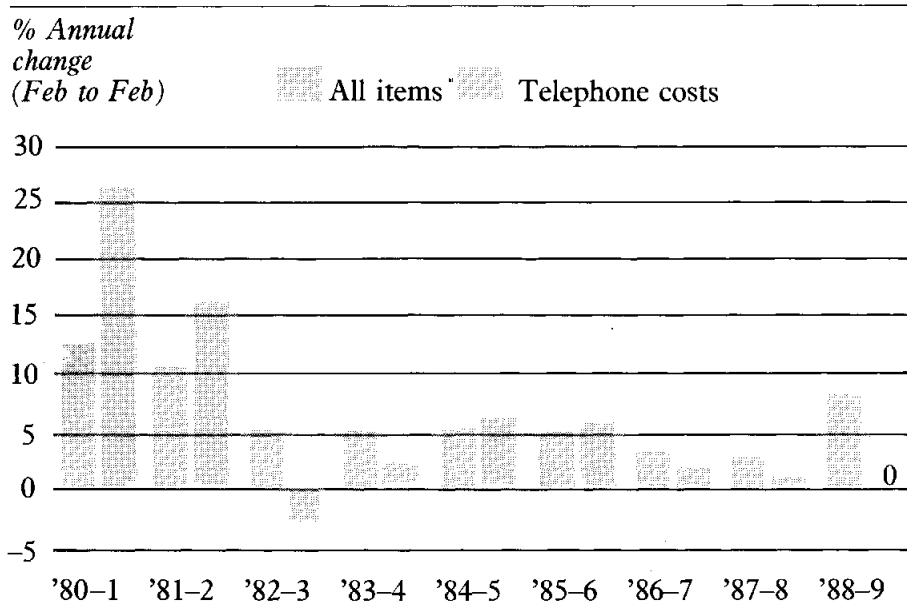
**3.3 Number, and annual percentage growth, of effective telephone calls by type
1980–1988 United Kingdom**

Year (ending) 31 March	Inland		International	
	Total (millions)	% growth over previous year	Total (millions)	% growth over previous year
1980	19,857	6	106	22
1981	20,175	2	117	13
1982	20,806	3	132	14
1983	21,403	3	148	11
1984	22,686	6	173	12
1985	n/a	8	n/a	14
1986	n/a	7	n/a	11
1987	n/a	7	n/a	11
1988	n/a	8	n/a	14

Note: n/a—not available
Source: British Telecom

**4 British Telecom's
Prices**

**4.1 Annual percentage change in the Retail Prices Index for all items and the telephone costs components
1981–1989 United Kingdom**



Note: February to February
Source: Department of Employment

**4.2 Summary of BT price changes controlled by its licence
(Condition 24)
1984-1988**

	<i>Nov '84</i> %	<i>Nov '85</i> %	<i>Nov '86</i> %	<i>Nov '87</i> %	<i>Nov '88</i> %
Changes in RPI in base period	+ 5.1	+ 7.0	+ 2.5	+ 4.2	+ 4.6
RPI minus 3	+ 2.1	+ 4.0	- 0.5	+ 1.2	+ 1.6
Permitted increase*	+ 2.1	+ 4.1	- 0.1	+ 1.3	+ 2.8
Changes in the price of:					
Exchange line rental†					
Residential	+ 7.1	+ 8.5	+ 3.7	+ 0.0	+ 0.0
Business	+ 6.8	+ 8.8	+ 3.9	+ 0.0‡	+ 0.0
Changes in the effective price of:					
Local calls					
Peak	+ 6.8	+ 6.4	+18.9	+ 0.0	+ 0.0
Standard	+ 6.8	+ 6.4	+ 6.4	+ 0.0	+ 0.0
Cheap	+ 6.8	+ 6.4	- 3.6	+ 0.0	+ 0.0
National 'a'					
Peak	+ 6.8	+ 6.4	+ 1.6	+ 0.0	+ 0.0
Standard	+ 6.8	+18.3	+ 1.1	+ 0.0	+ 0.0
Cheap	+23.1	+ 6.4	+ 2.7	+ 0.0	+ 0.0
National 'bl'					
Peak	-10.3	-14.0	-12.0	+ 0.0	+ 0.0
Standard	-10.2	-13.8	-12.0	+ 0.0	+ 0.0
Cheap	+ 6.8	+ 6.4	-12.0	+ 0.0	+ 0.0
National 'b'					
Peak	-14.0	- 6.2	-16.0	+ 0.0	+ 0.0
Standard	-13.9	- 4.9	-17.0	+ 0.0	+ 0.0
Cheap	+ 6.8	+ 6.4	- 6.2	+ 0.0	+ 0.0
Weighted average	+ 2.0	+ 3.7	0.3§	+ 0.0	+ 0.0

Notes:

* After allowing for carry-over of unused allowances from previous years.

† Exchange line with basic telephone instrument in November 1984: exchange line excluding telephone instrument thereafter.

‡ No increase in standard business line rental, but rental for low loss exchange lines was increased.

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

5 British Telecom's Quality of Service Figures

5.1 BT's Quality of Service: Network reliability 1983-1988

Year to 31 March	Percentages							
	1983	1984	1985	1986	1987 Mar*	1987 Sept*	1988 Mar*	1988 Sept*
Local calls failed (because of defective equipment or congestion)	2.7	2.4	2.0	1.7	2.2	2.2	1.9	1.7
STD calls failed (because of defective equipment or congestion)	5.9	5.1	4.4	4.1	5.4	4.3	3.6	3.5
Customer premises equipment and network faults per line per annum	0.55	0.54	0.53 [†]	0.48	0.54	0.43	n/a	n/a
Network only faults per line per annum	n/a	n/a	n/a	0.20	0.25	0.20	0.22	0.19

Notes:

* Figures for 1987 and 1988 are for the months of March and September only. Figures for the years to 31 March are not available.

[†] Change in definition from 'fault reports' to 'faults'.

n/a — comparable figures are not available.

Source: British Telecom

5.2 BT's Quality of Service: Repair service 1983-1988

Year to 31 March	Percentages							
	1983	1984	1985	1986	1987 Mar*	1987 Sept*	1988 Mar*	1988 Sept*
Servicing interrupting faults cleared by end of next working day [†]	85.1	85.7	89.9	87.1				
within two working days [†]					73.9	86.5	90.2	91.6

Notes:

* Figures for 1987 and 1988 are for the months of March and September only. Figures for the years to 31 March are not available.

[†] Basis of calculation changed in 1987.

Source: British Telecom

5.3 BT's Quality of Service: Operator service and Directory Enquiries 1983-1988

Year to 31 March	Percentages							
	1983	1984	1985	1986	1987 Mar*	1987 Sept*	1988 Mar*	1988 Sept*
Operator calls answered in 15 secs	86.8	86.0	84.6	85.6	83.5	79.4	86.7	80.5
Directory Enquiries [†] answered in 25 secs	82.5	80.5	80.0	83.7				
Directory Enquiries [†] answered in 15 secs				74.0	77.0	75.1	81.2	81.3

Notes:

* Figures for 1987 and 1988 are for the months of March and September only.

† Basis changed from 25 to 15 seconds in 1987. Comparable figure for 1986 included.

Source: British Telecom

6 Mercury's Quality of Service

6.1 Mercury's Quality of Service: Availability of service October 1987-September 1988

	Percentages			
	1987 4th qtr	1988 1st qtr	1988 2nd qtr	1988 3rd qtr
Average availability of all circuits	99.8	99.9	99.9	99.9
Circuits with availability more than 99.5%	96.9	96.8	98.3	98.0

Note: Availability of each directly connected customer circuit.

Source: MCL

6.2 Mercury's Quality of Service: Service restoration time January–September 1988

	<i>Percentages</i>		
	<i>1988 1st qtr</i>	<i>1988 2nd qtr</i>	<i>1988 3rd qtr</i>
Faults restored within 6 hours	82.4	80.7	82.7
Faults restored within 24 hours	91.8	95.2	97.3
Faults restored within 48 hours	94.9	98.3	98.6

Note: Mercury 2100 switched telephone service, national and international leased services and Mercury 2110 Centrex service.

Source: MCL

7 Telex and Facsimile Services

7.1 Number of telex exchange connections 1980–1988 United Kingdom

<i>Year (at 31 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
1987	111.5
1988	116.2

Source: British Telecom

7.2 Estimated numbers of facsimile terminals 1986–1988 United Kingdom

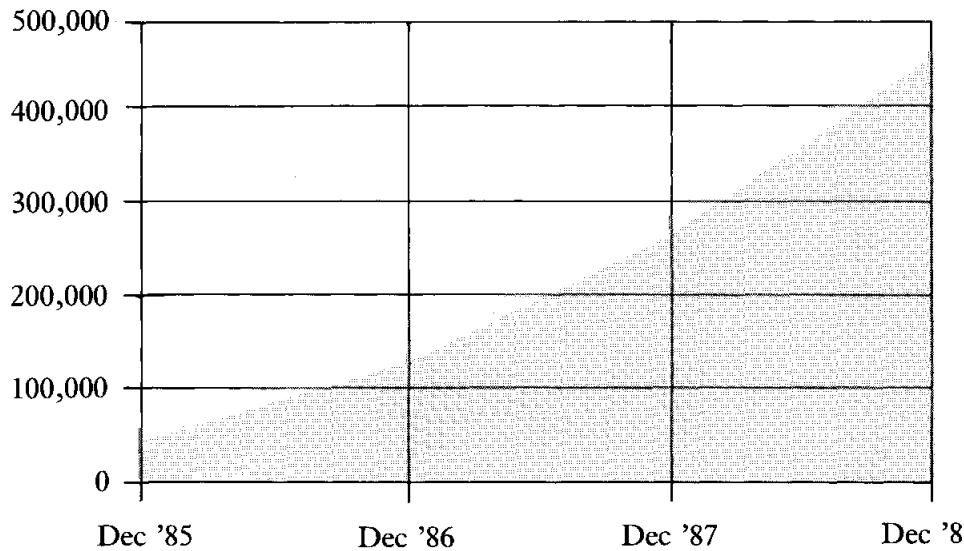
	<i>Number (000's)</i>
December 1986	86
December 1987	173
December 1988	370

Source: British Facsimile Industry Consultative Committee

8 Mobile Services

8.1 Estimated number of cellular radio subscribers 1985–1988 United Kingdom

Subscribers

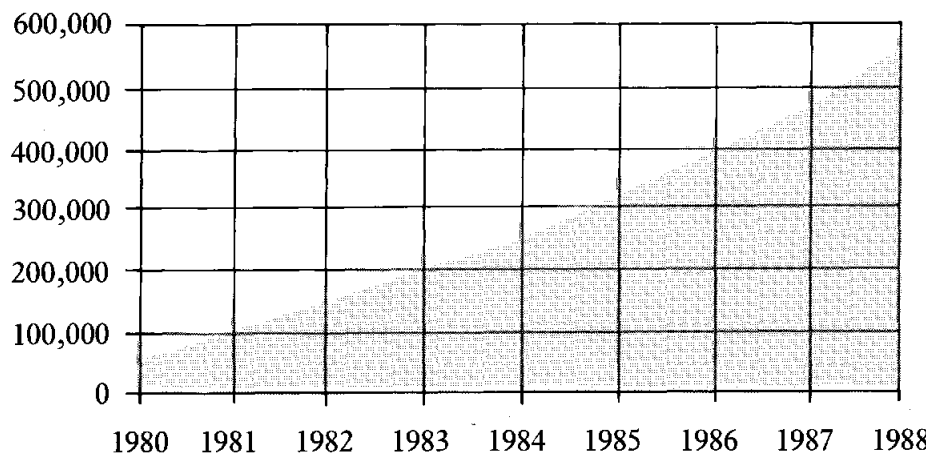


Note: Cellular radio services commenced in January 1985

Source: CIT Research

8.2 Estimated number of wide area radiopagers in use 1980–1988 United Kingdom

Units in use



Source: CIT Research and other sources.

9 Telegraph and Telecommunications Equipment Industry Data

9.1 Sales, output and employment in the UK telegraph and telecommunications equipment industry 1980-1988

Year	Total sales (£m)	Output (volume 1980=100)	Employment (000's)
1980	1,067	100	n/a
1981	1,238	103	n/a
1982	1,362	103	n/a
1983	1,424	104	n/a
1984	1,524	106	46.9
1985	1,773	115	n/a
1986	1,936	119	n/a
1987	1,939	117*	n/a
1988	2,467*	n/a	n/a

Notes:

* Provisional figures

n/a — not available

Source: Business Statistics Office—Business Monitor PQ3441

9.2 Sales of telephone and telegraph equipment by UK manufacturers to BT, other UK companies and for export 1981-1988

Year	Percentage of total sales going to		
	BT	Other UK	Export
1981	76	15	8
1982	76	16	8
1983	78	13	9
1984	76	15	9
1985	70	18	12
1986	70	21	10
1987	62	28	10
1988	55*	31*	14*

Note: * Provisional figures

Source: Business Statistics Office—Business Monitor PQ3441

**9.3 Sales of telephone exchange equipment by UK manufacturers
1980–1988**

Year	Public telephone exchange equipment		Private telephone exchange equipment		Total telephone exchange equipment
	Electro-mechanical £m	Electronic £m	Electro-mechanical £m	Electronic £m	Electronic £m
1980	149.6	310.2	54.0	27.8	338.0
1981	187.8	336.9	47.0	92.6	429.5
1982	170.9	406.5	19.7	131.8	538.3
1983	115.5	418.6	5.4	144.7	563.3
1984	64.0	422.9	2.5	154.3	577.2
1985	13.3	573.7	0.6	228.9	802.6
1986	0.7	662.0	0.5	230.0	892.0
1987	—	501.5	—	229.2	730.7
1988	—	n/a	—	n/a	805.1*

Notes:

* Provisional figure

n/a — not available

Source: Business Statistics Office—Business Monitor PQ3441

9.4 Proportion of new PABXs and key systems supplied by BT (based on number of extension lines supplied), by size of system 1980-1988

<i>Year</i>	<i>Percentages</i>			
	<i>Small systems</i>	<i>Medium systems</i>	<i>Large systems</i>	<i>Total</i>
1980-1981	99	87	0	83
1981-1982	100	92	0	81
1982-1983	97	85	1	74
1983-1984	95	80	17	76
1984-1985	95	75	48	75
1985-1986	84	63	52	69
1986-1987	78	50	37	58
1987-1988	68	41	38	51

Notes:

Small systems—up to 16 lines

Medium systems—17 to 500 lines

Large systems—over 500 lines

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

1986 to 1988: MZA Consultants

9.5 Proportion of new telephones and telephone answering machines supplied by BT (ex manufacturers' deliveries) 1984-85, 1985-86, 1986-87, 1987-88

<i>Year</i>	<i>Percentages</i>	
	<i>Telephones</i>	<i>Telephone answering machines</i>
1984-85	83	n/a
1985-86	79	25
1986-87	66	25
1987-88	55	25

Note: n/a — not available

Source: MZA Consultants

9.6 Use of telecommunications equipment by small businesses September 1988 Great Britain

Type of equipment	Percentage of firms	
	Using	Expecting to use within 12 months
Answering machines	33	8
Facsimile transmission	31	14
Mobile telephones	22	7
Telex	13	1
Radiopagers	11	2
On-line database services	5	2
Electronic mail	3	1

Source: Small Business Research Trust, survey partly commissioned by OFTEL on behalf of the Advisory Committee on Telecommunications for Small Businesses (BACT)

10 Mercury Growth Statistics

10.1 Mercury capital investment and network growth 1984-1988

	Cummulative capital investment* (£m)	Towns with one or more MCL node†	Mercury access areas‡
March 1984	10	—	—
March 1985	90	6	—
March 1986	140	25	—
March 1987	295	38	66
March 1988	510	51	103

Notes:

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

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

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

Source: MCL

**10.2 Ordered PSTN lines* by type of Mercury service
1987-1988**

	<i>Numbers of lines (000's)</i>		
	<i>2100[†]</i>	<i>2200[‡]</i>	<i>2300[§]</i>
March 1987	5	2	—
March 1988	26	12	6
December 1988	50	42	11

Notes:

* Cumulative numbers of lines (including some not installed by date shown).

† Directly connected service for larger businesses.

‡ Indirectly connected service for small and medium size businesses.

§ Indirectly connected service for single line residential and small business customers.

Source: MCL

*APPENDIX 4
NON-PTO LICENCES ISSUED DURING 1988 UNDER THE
TELECOMMUNICATIONS ACT 1984*

<i>Title</i>	<i>Period</i>	<i>Date of issue</i>
Renewal of temporary licence granted to Cable Camden Ltd	3 months	8/1
Temporary licence granted to Stafford Borough Council	1 year	20/1
Licence granted to John Singh Malhi to run cable systems in the Smethwick area	Indefinite	8/2
Licence granted to Barrett Multi-Ownership to run cable systems in the Elmers Court Area	Indefinite	8/2
Licence granted to Mohan Singh to run cable systems in the Rookery Road area	Indefinite	8/2
Licence granted to Bakhtar Lone to run cable systems in the Saltey area	Indefinite	8/2
Temporary licence granted to British Museum (Natural History)	1 year	10/2
Temporary licence granted to the University of Birmingham	1 year	12/2
Licence granted to British Telecommunications plc to run cable systems in the Milton Keynes area	Indefinite	15/2
Licence granted to British Telecommunications plc to run cable systems in the Bracknell area	Indefinite	15/2
Licence granted to British Telecommunications plc to run cable systems in the Washington area	Indefinite	15/2
Licence granted to Broadland Ventures Ltd to run cable systems in the Irvine area	Indefinite	15/2
Temporary licence granted to the University of Strathclyde	1 year	19/2
Renewal of temporary licence granted to the Institute of London Underwriters	1 year	19/2
Renewal of temporary licence granted to the City of Stoke on Trent Council	6 months	19/2
Temporary licence granted to Marconi Command and Control Systems	1 year	20/2
Temporary licence granted to Allied Lyons plc	1 year	24/2

<i>Title</i>	<i>Period</i>	<i>Date of issue</i>
Licence granted to GEC Communications Networks Ltd to run nationwide telecommunications systems for the provision of private mobile communications services	25 years	25/2
Temporary licence granted to the City of Glasgow	1 year	25/2
Renewal of temporary licence granted to Cadbury Schweppes	1 year	29/2
Renewal of temporary licence granted to Premier Brands Ltd	1 year	29/2
Renewal of licence granted to National Mobile Radio Ltd to run telecommunications systems for the provision of private mobile radio telecommunications services in the Birmingham, Rugby, Great Malvern and surrounding area	3 months	4/3
Renewal of licence granted to National Mobile Radio Ltd to run telecommunications systems for the provision of private mobile radio services within the area of the M25 motorway	3 months	4/3
Renewal of licence granted to National Mobile Radio Ltd to run telecommunications systems for the provision of private mobile radio services in the Manchester and Merseyside areas	3 months	4/3
Licence granted to Anthony Bruton Leisure Ltd to run cable systems in the area of High Pines, Bracknell	Indefinite	18/3
Licence granted to Greenwich Cablesene Ltd to run cable systems in the Greenwich area	Indefinite	18/3
Licence granted to British Cable Services to run cable systems in the Pontypool area	Indefinite	18/3
Licence granted to Philips Cable Television Ltd to run cable systems in the Northampton area	Indefinite	18/3
Licence granted to Perth Cable Television to run cable systems in the Perth area	Indefinite	18/3
Temporary licence granted to the Corporation of Lloyds	1 year	18/3

<i>Title</i>	<i>Period</i>	<i>Date of issue</i>
Licence granted to Millicom Information Services Ltd for the provision of radiopaging services	Indefinite	24/3
Renewal of temporary licence granted to Goldman Sachs to run certain telecommunications systems	1 year	25/3
Renewal of temporary licence granted to the Borough of Newcastle under Lyme	6 months	30/3
Renewal of temporary licence granted to the Borough of Crewe and Nantwich	6 months	11/4
Temporary licence granted to the University of Leeds	1 year	11/4
Licence granted to British Cable Services Ltd to run systems in the Pontypool area	Indefinite	15/4
Licence granted to Ram Paul Taggar to run cable systems in the Sparkhill area	Indefinite	15/4
Renewal of temporary licence granted to Co-Channel Electronics Ltd to run a mobile radio telecommunication system	1 year	15/4
Licence granted to British Cable Services Ltd to run cable systems in the Stevenage area	Indefinite	22/4
Licence granted to British Cable Services Ltd to run cable systems in the Ashford area	Indefinite	22/4
Licence granted to Satellite Management International for the running of telecommunications systems to receive messages from earth orbiting satellites	6 months	27/4
Licence granted to Airtime Networks Ltd	1 year	28/4
Temporary licence granted to American Express Ltd	1 year	29/4
Renewal of temporary licence granted to Congleton Borough Council	6 months	29/4
Temporary licence granted to Amoco (UK) Exploration Company to run certain telecommunication systems	1 year	3/5

<i>Title</i>	<i>Period</i>	<i>Date of issue</i>
Temporary licence granted to Broadland District Council to run a mobile radio telecommunication system	1 year	12/5
Licence granted to British Cable Services Ltd to run cable systems in the Oxford area	Indefinite	13/5
Licence granted to British Cable Services Ltd to run cable systems in the Hatfield area	Indefinite	13/5
Licence granted to British Cable Services Ltd to run cable services in the Basildon area	Indefinite	13/5
Licence granted to British Cable Services Ltd to run systems in the Canterbury area	Indefinite	13/5
Renewal of temporary licence granted to the North of Scotland Hydro-Electric Board	1 year	13/5
Temporary licence granted to Suffolk Coastal District Council	1 year	16/5
Temporary licence granted to Somerset County Council to run certain telecommunication systems	1 year	19/5
Temporary licence granted to Stafford Borough Council to run a telecommunication system for the purpose of providing assistance to elderly and infirm people in an emergency	4 months	23/5
Renewal of temporary licence granted to the Borough of South Tyneside	1 year	29/5
Renewal of temporary licence granted to Clifton College	1 year	30/5
Temporary licence granted to the Central Electricity Generating Board	1 year	3/6
Renewal of licence granted to National Mobile Radio Ltd to run telecommunications systems for the provision of private mobile telecommunications service in the Birmingham area, Rugby, Great Malvern and the surrounding area	3 months	4/6

<i>Title</i>	<i>Period</i>	<i>Date of issue</i>
Renewal of licence granted to National Mobile Radio Ltd to run telecommunications systems for the provision of private mobile radio within the area of the M25 motorway	3 months	4/6
Renewal of temporary licence granted to National Mobile Radio Ltd to run telecommunications systems for the provision of private mobile radio telecommunications services in the Manchester and Merseyside areas	3 months	4/6
Renewal of temporary licence granted to Oxford City Council	1 year	5/6
Renewal of temporary licence granted to the Metropolitan Borough of Stockport	1 year	5/6
Temporary licence granted to the South Staffordshire District Council	6 months	6/6
Renewal of licence granted to Satellite Management International Ltd for the running of telecommunication systems to receive messages from earth orbiting satellites	5 months	9/6
Temporary licence for the Marconi Company Ltd to run certain telecommunication systems on the Hillend and Donibristle Industrial Estates	6 months	10/6
Licence granted to Samuelson Communications Ltd	6 months	10/6
Renewal of temporary licence for Inter-City Paging Ltd to run a mobile radiopaging telecommunications system	6 months	18/6
Temporary licence granted to Oxford City Council to run an alarm system for the elderly and infirm	1 year	23/6
Licence granted to Puck Television Ltd to run cable systems in the Manor Grange, Bangor area	Indefinite	24/6
Licence granted to Puck Television Ltd to run cable systems in the Bryansglen, Bangor area	Indefinite	24/6
Licence granted to Teleline Ltd to run cable systems in the Princes Risborough area	Indefinite	24/6

<i>Title</i>	<i>Period</i>	<i>Date of issue</i>
Licence granted to Puck Television Ltd to run cable systems in the Ballycrochan, Bangor area	Indefinite	24/6
Licence granted to Puck Television Ltd to run cable systems in the Rosehill, Newtownards area	Indefinite	24/6
Licence granted to David King Jones and John Osborne Jones operating as West Wales Aerials to run cable systems in the Fairfach, Llandeilo and Rosemaen areas	Indefinite	24/6
Licence granted to Genix International (UK) Ltd to run certain telecommunication systems	1 year	29/6
Renewal of temporary licence granted to British Waterways Board to run a mobile radio telecommunications system	1 year	30/6
Temporary licence granted to the University of Newcastle upon Tyne	1 year	1/7
Licence granted to Extel Communications to run certain telecommunication systems	22 years	1/7
Temporary licence granted to Wolverhampton and Dudley Breweries	1 year	11/7
Temporary licence granted to Basingstoke and Deane Borough Council	1 year	18/7
Class licence granted for the running of CT2 portable apparatus	6 months	29/7
Licence granted to Ferranti Creditphone Ltd for the running of systems providing short range radio services	6 months	29/7
Licence granted to FTC Communications (UK) Ltd	12 years	29/7
Renewal of temporary licence for British Railways Board	1 year	1/8
Licence granted to Satellite Information Services Ltd	6 months	3/8
Licence granted to British Cable Services Ltd to run cable systems in the Blaenavon area	Indefinite	5/8

<i>Title</i>	<i>Period</i>	<i>Date of issue</i>
Licence granted to Gwent Cablevision to run cable systems in the Tredegar area	Indefinite	5/8
Licence granted to Dr Harmash Kapur trading as HK Satellite and Cable TV to run cable systems in the Wrexham area	Indefinite	5/8
Licence granted to Selectv plc to run cable systems in the Aylesbury area	Indefinite	5/8
Licence granted to British Cable Services Ltd to run cable systems in the area of the Pembroke Dock, Dyfed	Indefinite	5/8
Licence granted to British Cable Services Ltd to run cable systems in the Resolven area	Indefinite	5/8
Licence granted to British Cable Services Ltd to run cable systems in the area of Rotherham and Rawmarsh	Indefinite	5/8
Licence granted to British Cable Services Ltd to run cable systems in the Glyn-Neath area	Indefinite	5/8
Licence granted to Selectv plc to run cable systems in the area of St Ives, Huntingdon	Indefinite	5/8
Licence granted to Rediffusion Business Electronics Ltd	6 months	5/8
Renewal of temporary licence granted to the City of Stoke on Trent Council	1 year	20/8
Temporary licence granted to Independent Broadcasting Authority	6 months	31/8
Licence granted to British Cable Services Ltd to run cable systems in the Rochdale area	Indefinite	2/9
Licence granted to British Cable Services Ltd to run cable systems in the Carmarthen area	Indefinite	2/9
Licence granted to British Cable Services Ltd to run cable systems in the Maidstone area	Indefinite	2/9
Licence granted to British Cable Services Ltd to run cable systems in the Kingston upon Hull area	Indefinite	2/9

<i>Title</i>	<i>Period</i>	<i>Date of issue</i>
Licence granted to British Cable Services Ltd to run cable systems in the Reading area	Indefinite	2/9
Licence granted to Cable and Satellite Television Holdings Ltd to run cable systems in the Faversham area	Indefinite	2/9
Licence granted to Philip Braid and Carole Braid operating as Teledu Cyswllt Lloeren to run cable systems in the Blaneau Ffestiniog area	Indefinite	2/9
Licence granted to Medway Cablevision Ltd to run cable systems in the Medway Towns area	Indefinite	2/9
Licence granted to DTR Audio Visual Ltd to run cable systems in the Ocean Marina Village area	Indefinite	2/9
Renewal of licence granted to National Mobile Radio Ltd to run telecommunications systems for the provision of private mobile radio telecommunications services in Birmingham, Rugby, Great Malvern and the surrounding area	3 months	4/9
Renewal of licence granted to National Mobile Radio Ltd to run telecommunications systems for the provision of private mobile radio telecommunication services within the area of the M25 motorway	3 months	4/9
Renewal of licence granted to National Mobile Radio Ltd to run telecommunications systems for the provision of private mobile radio telecommunications services in the Manchester and Merseyside areas	3 months	4/9
Renewal of temporary licence granted to Northern Ireland Airports Ltd	1 year	8/9
Licence granted to Commercial Inventory Service Company Ltd	1 year	14/9
Licence granted to Eurocom Satellite Industries Ltd for the running of telecommunications systems to receive messages from earth orbiting apparatus	6 months	21/9
Temporary licence granted to Staffordshire Borough Council	6 months	22/9

<i>Title</i>	<i>Period</i>	<i>Date of issue</i>
Renewal of temporary licence granted to Newcastle under Lyme Council	6 months	29/9
Temporary licence granted to Thorn EMI	1 year	30/9
Renewal of temporary licence granted to the Borough of Crewe and Nantwich	6 months	11/10
Renewal of temporary licence granted to the University of Aberdeen	1 year	12/10
Temporary licence granted to the University of Strathclyde	1 year	14/10
Temporary licence granted to the University of Reading	1 year	17/10
Temporary licence granted to the University of Leeds	1 year	19/10
Temporary licence for the Electricity Boards to run certain telecommunication systems	1 year	26/10
Temporary licence granted to Plymouth Polytechnic	1 year	27/10
Licence granted to British Cable Services Ltd to run cable systems in the Ebbw Vale area for the provision of licensable cable programme services	Indefinite	28/10
Licence granted to British Cable Services Ltd to run cable systems in the Lancaster area for the provision of licensable cable programme services	Indefinite	28/10
Licence granted to British Cable Services Ltd to run cable systems in the Milford Haven area for the provision of licensable cable programme services	Indefinite	28/10
Licence granted to Gwent Cablevision Ltd to run cable systems in the area of Cwm, Gwent for the provision of licensable cable programme services	Indefinite	28/10
Licence granted to Electronic Data Systems Ltd for the running of telecommunication systems to receive messages from earth orbiting apparatus	6 months	28/10

<i>Title</i>	<i>Period</i>	<i>Date of issue</i>
Temporary licence granted to the University of Reading to run certain telecommunication systems	1 year	3/11
Temporary licence granted to Sunderland Polytechnic to run certain telecommunication systems	1 year	4/11
Licence granted to the British Geological Survey for the running of systems to transmit messages to, and receive messages from earth orbiting apparatus	6 months	7/11
Licence granted to Satellite Management International Ltd for the running of telecommunication systems to receive messages from earth orbiting apparatus	6 months	9/11
Licence granted to Eurocom Satellite Industries Ltd for the running of telecommunication systems to receive messages from earth orbiting apparatus	6 months	10/11
Renewal of temporary licence granted to Cable Camden Ltd to run certain telecommunication systems	6 months	11/11
Temporary licence granted to British Aerospace plc	1 month	17/11
Licence granted to the Royal Bank of Canada	12 years	18/11
Licence granted to a class of persons under Section 7 of the Telecommunications Act 1984 for the running of CT2 portable apparatus	6 months	30/11
Licence granted to Ferranti Creditphone Ltd under Section 7 of the Telecommunications Act 1984 for the running of systems providing short range radio services	6 months	30/11
Licence granted to British Telecommunications plc under Section 7 of the Telecommunications Act 1984 for the running of systems providing short range radio services	6 months	30/11
Temporary licence granted to County Natwest	1 year	5/12
Licence granted to British Cable Services Ltd to run cable systems in the Nottingham area	Indefinite	8/12

<i>Title</i>	<i>Period</i>	<i>Date of issue</i>
Licence granted to British Cable Services Ltd to run cable systems in the Burnley Area	Indefinite	8/12
Licence granted to British Cable Services Ltd to run cable systems in the Newbridge and Bargoed, Penybryn area	Indefinite	8/12
Licence granted to British Cable Services Ltd to run cable systems in the Southampton area	Indefinite	8/12
Licence granted to British Cable Services Ltd to run cable systems in the Wirral, Birkenhead area	Indefinite	8/12
Licence granted to Community Communications Ltd to run cable systems in the Sizewell 'B' accommodation area	Indefinite	8/12
Licence granted to Penwise Properties Ltd to run cable systems in the Barnsdale, Lincolnshire area	Indefinite	8/12
Licence granted to Goldcrest Films and Television to run cable systems in the Brighton Marina	Indefinite	8/12
Temporary licence granted to United Glass Ltd	1 year	12/12
Temporary licence granted to Robsons Distribution Services Ltd	1 year	12/12
Temporary licence granted to Johnson Radley Ltd	1 year	12/12
Temporary licence granted to Yorkshire Television Ltd	1 year	12/12
Temporary licence granted to Wilj International Ltd	1 year	16/12
Temporary licence granted to Stafford Borough Council to run an alarm system for the elderly and infirm	6 months	23/12
Temporary licence granted to British Airports Authority plc	1 year	23/12

APPENDIX 5
LIST OF OFTEL PUBLICATIONS IN 1988

The following publications were issued by OFTEL during 1988. They are available free of charge unless otherwise indicated. All publications are available from OFTEL's Library. The reference number of the publication is shown in brackets where relevant.

General

A Guide to the Office of Telecommunications—updated edition (21/88)

OFTEL Library and Public Register—updated edition (20/88)

The Regulation of British Telecom's Prices: A Consultative Document (5/88)

The Control of British Telecom's Prices. A Statement by the Director General of Telecommunications (26/88)

DIEL: The Advisory Committee on Telecommunications for Disabled and Elderly People—updated edition (22/88)

BACT: The Advisory Committee on Telecommunications for Small Businesses—updated edition (32/88)

Consumer

Choosing and Using Telephones—new edition (12/88)

British Telecom's Contract Terms and Conditions. A Statement by the Director General of Telecommunications (15/88)

A Basic Guide to Telex, Electronic Mail and Fax Services for Small Businesses—updated edition (24/88)

Telecommunications Wiring in Business Premises and Homes—new edition (25/88)

Talkabout. A Statement by the Director General of Telecommunications

Chatlines and Other Message Services. A Statement by the Director General of Telecommunications (29/88)

Approval of PTO Call Metering Systems. A Statement by the Director General of Telecommunications

Telephone Service in 1988 (34/88)

Competition

Representations on Behalf of PanAmSat. A Statement by the Director General of Telecommunications.

Licensing

Explanatory Guide to the Class Licence for the Running of Branch Telecommunication Systems (1/88)

Licences granted by the Secretary of State for Trade and Industry to Kingston upon Hull City Council and Kingston Communications (Hull) plc under Section 7 of the Telecommunications Act 1984. £7.50

Technical

Telecommunications Standards Review Committee. A Statement by the Director General of Telecommunications (13/88)

Guidance Notes for the Temporary Scheme for Site-Specific Approval to Allow the Connection of Private Networks to the PSTN. £1.00

OTR 001 Technical Requirements for Private Branch Exchanges with Telecommunication Ports. (price on application)

OTR 002 Approval Requirements for Payphones Connected to Public Switched Telephone Networks. £16.00

The Numbering and Connection Arrangements for Data Networks: DNICs—the allocation of a scarce resource. A Consultative Document

Updates (a series of technical fact sheets)

Guidance Notes for the Preparation of Information Required for the Temporary NCOP Site-Specific Approval Scheme (SA13)

Provisional Networking Code of Practice: Additions and Alterations (SA14)

Competition in the Supply of Telephone Wiring for Connection Directly to British Telecom's PSTN—the BT NTE5 Network Terminating Device (SA15)

Interim Approval Scheme for PBXs with Analogue Ports for Connection of Private Networks to the PSTN (SA16)

British Approvals Board for Telecommunications—BABT (SA17)

Revised DDI PBX Approval Requirements (SA18)

Draft European Telecommunications Standards Available for Public Comment (SA19)

New Route for Approval of Single Line Switching Apparatus (SLSA) (SA20)

Approval of Telex Apparatus Modified to Provide Indirect Access to Mercury Communications Limited Telex Service (SA21)

New PBX Approval Scheme and Technical Requirements for Private Branch Exchanges with Telecommunication Ports (SA22)

Liberalisation of Private Payphones Connected to Public Switched Telephone Networks (SA23)

Value Added and Data Services. Waiver of the Requirement to Publish and Adhere to Price Lists (VADS 2)

Approval of Single Line Switching Systems Using Cordless Terminating Stations (SA24)

Approval of Call Barring Apparatus—Withdrawal of Temporary Arrangements (SA25)

New Approval Scheme for Digital Private Circuits Operating at 2048 kbit/s and 64 kbit/s (SA26)

Transfer of Authority to the British Approvals Board for Telecommunications (BABT) (SA27)

Working Papers

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

3 Responses to OFTEL's Consultative Document on the Future Regulation of British Telecom's Prices

Newsletters

OFTEL News. Quarterly newsletter

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

Telecommunications in Rural England

The Rural Development Commission and OFTEL jointly sponsored a research project by the consultants Economic and Transport Planning Group into *Telecommunications in Rural England*. This report had been completed by the end of the year and was awaiting publication.

Productivity in Telecommunications

As background to the review of the BT price control rule, OFTEL sponsored research by Mr James Foreman-Peck (then of the University of Newcastle) on the comparative performance of European telecommunications administrations. A paper reporting the main findings was published in *Fiscal Studies* (Spring 1988): 'How Well is BT Performing? An International Comparison of Telecommunications Total Factor Productivity' by James Foreman-Peck and Dorothy Manning.

Competition in Local Networks

A continuing research priority was the examination of the economics of local networks and the prospects for competition. By the end of the year OFTEL had received two studies by consultants, but there were no plans to publish these.

Talkabout

As background to the Director General's review of BT's Talkabout service, OFTEL financed a special telephone survey by NOP Market Research Ltd of the uses of, and attitudes towards, this service, with special reference to the Teenage Talkabout service. Results from this survey were included in the Director General's statement of 16 February 1988.

Public Opinion Surveys

OFTEL continued to conduct public opinion surveys throughout the year with the main results being published in the OFTEL report *Telephone Service in 1988*. The main subject matter of the various surveys (all of which were conducted by NOP Market Research Ltd) were:

- February—Low user rebate scheme; Directory Enquiry service
- June —Telephone selling
- August —Complaints to British Telecom.

Quality of Service Statistics

Throughout the year OFTEL experimented with various means of supplementing the information about quality of service published by the PTOs. A special effort was made to collect data on BT's fault repair service by means of panels of respondents, but the response was disappointing and analysis of the returns received provided only very limited information.

Centrex

OFTEL commissioned a consultancy study of the marketing and regulation of Centrex in the United States. By the end of the year three reports had been received concerning the use of sales agents, resale of Centrex and the relevance of these practices to the United Kingdom. There are no plans to publish the results of this study.

Numbering

A study of telecommunications numbering and addressing issues is being carried out for OFTEL by Ovum Ltd. After an initial project definition phase, the main phase began in October 1988 with the objective of producing a recommendation for the future approach to numbering in the UK's main networks. Proposals will be published for comment during 1989.

The Telecommunications Needs of Disabled and Elderly People

An exploratory study was commissioned by OFTEL on the advice of the Advisory Committee on Telecommunications for Disabled and Elderly People (DIEL). The study was commissioned in June 1988 and undertaken by the Age Concern Institute of Gerontology at King's College London. It set out to identify the extent to which existing telecommunications equipment and services are satisfying the needs of elderly and disabled people. The results will be published by OFTEL in 1989.

Present and Future Use of Telecommunications Products and Services

A survey was commissioned by OFTEL on behalf of the Advisory Committee on Telecommunications for Small Businesses (BACT) to ascertain whether there was any scope for an independent advisory service on telecommunications products and services for the benefit of small businesses. The results will be published by the Small Business Research Trust in *Quarterly Survey of Small Business in Britain Vol 4*, No 4, 1989.

APPENDIX 7
OFTEL STAFF

Director General of Telecommunications: Professor Sir Bryan Carsberg

Deputy Director General: Mr W R B Wigglesworth

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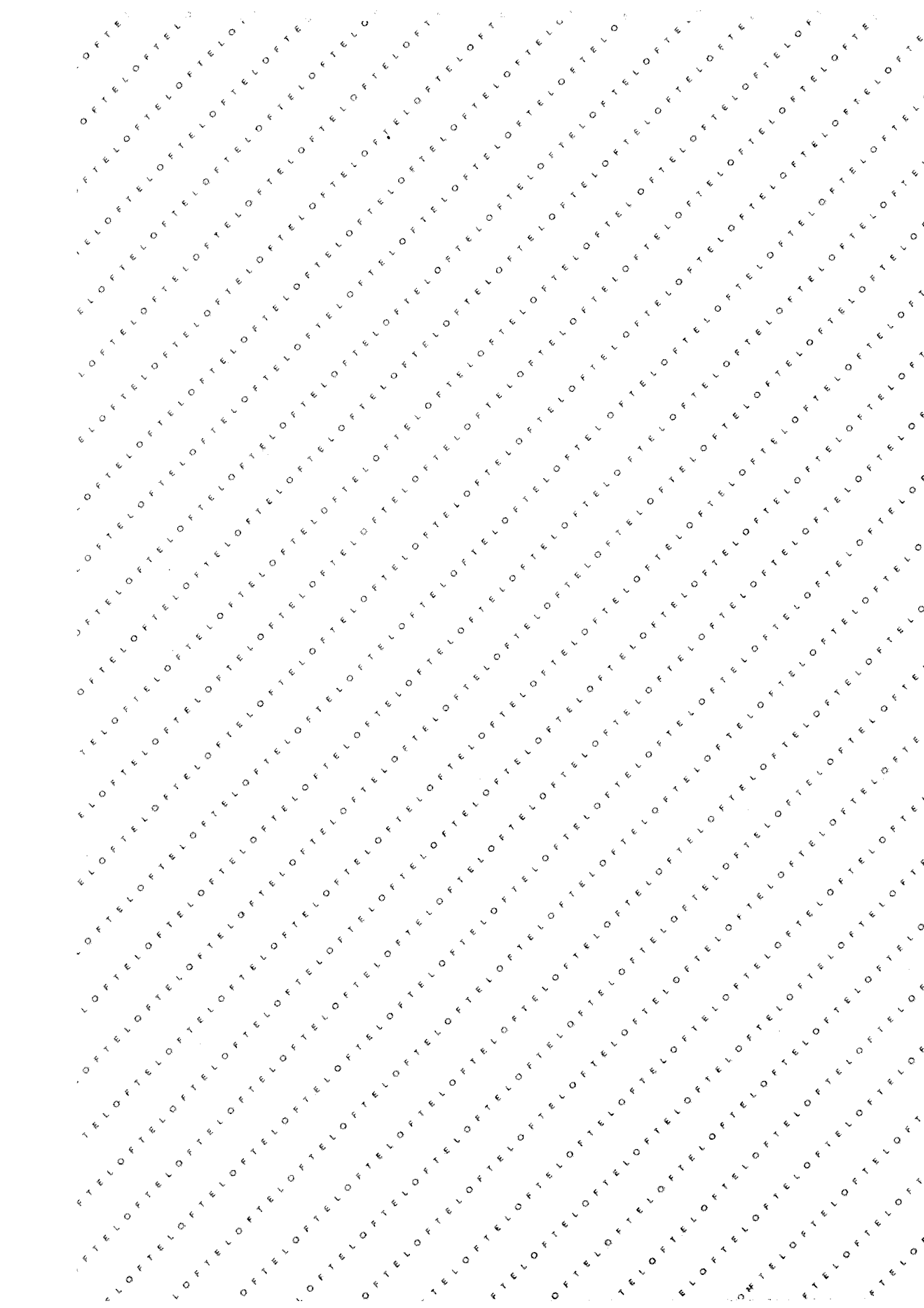
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