

Prime Minister (2)
 A useful summary of the
 licence provisions
 MR TURNBULL

MS
 29 June 1984

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 29/6

BT LICENCE

After a lot of hard bargaining, the BT Licence was laid before Parliament on Tuesday 26 June. It will come into effect on Sunday 5 August. BT will be converted from a statutory corporation into a public limited company on the following Monday.

We have therefore met the requirement that the licence should be laid before both Houses of Parliament for at least 28 days and we are still on schedule for the privatisation of BT in November.

The licence has been tightened up in several important respects since the draft was published in October. It satisfactorily covers 3 main areas:

- obligations to provide a comprehensive telephone service;
- restrictions to prevent future abuse of BT's monopoly/dominant position;
- measures to encourage fair competition.

Both BT, and potentially more significantly, Mercury are content.

Obligations

On the subjects of most public concern, the licence clearly states BT's obligation to provide rural services, public call boxes, emergency services and directory enquiries. There are also adequate provisions for the disabled and for maritime services.

The licence permits, but does not oblige, BT to share the cost of any loss-making services it has to provide with other companies making use of its networks. Given the current inadequate state of BT's accounts, it is not yet clear whether this access charge will actually be required.

BT will be allowed to close public call boxes which take less than £185 a year. This is an agreed figure with POUNC and could apply to perhaps 5,000 out of the total 77,000 call boxes. There are adequate provisions for consultation on this point and the licence also allows for local authorities or other bodies to provide a subsidy to top up takings to £185 in order to retain uneconomic call boxes.

DAUABM

Restrictions

The licence confirms that for the next 5 years price increases for business and residential rentals, local calls and trunk calls, taken together, must be at least 3% below the annual rate of inflation. As this formula applies to a basket of services, it is still possible that some consumer charges will rise by more than the rate of inflation. Indeed there is a separate undertaking on rentals restricting price rises to less than 2% above the RPI.

BT is required to establish separate accounting and reporting arrangements for its apparatus supply business by 1 April 1987 and is prevented from cross-subsidising either the supply or manufacture of apparatus from profits from the network services. BT must also set up a separate subsidiary by 1 July 1986 for the manufacture of telecommunications equipment.

Competition

BT are prevented from exercising any undue discrimination which places competitors at a significant competitive disadvantage.

The provision which caused the most difficulty during the negotiations was the obligation on BT to interconnect with other licensed systems such as Mercury. This obligation is essential for increased competition and is vital for Mercury's future. After much disagreement, this issue has now been satisfactorily resolved and BT and Mercury have signed a Heads of Agreement on Interconnect. Mercury's Chairman, Sir Douglas Lowe, is content with this outcome although the details have still to be worked out.

OFTEL

The success of our telecommunications policy will now largely depend upon the ability of OFTEL to monitor and enforce the terms of the licence.

There must be some doubts whether OFTEL will be able to stand up to BT, but we have defined the rules of the game and have appointed Professor Carsberg as the referee. It is now up to him to control the play.

DLP.

DAVID PASCALL

DAUABM

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Cf

*I have retained the
license in Policy Unit
files in view of our
current interest. Agreed?
David P...
13/7*

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From the Minister of State
for Industry and Information Technology

RT HON KENNETH BAKER MP

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26 June 1984

BRITISH TELECOM: LICENCE UNDER THE TELECOMMUNICATIONS ACT 1984

I enclose a copy of the licence (together with the accompanying Explanatory Notes) granted to British Telecom under the Telecommunications Act which has been laid before Parliament today in accordance with section 9 of the Act. The licence for the City of Kingston upon Hull (which is very similar to BT's licence) was also laid today. The Act requires both licences to be laid for at least 28 days but in fact the period will be 40 days as we intend that the BT and Hull licences will come into effect on 5 August which is the day on which Parts II, III and IV of the Act will enter into force.

The BT licence is being sold through HMSO and the Hull licence through the newly-established Office of Telecommunications at Atlantic House, Holborn Viaduct, London EC1.

I am copying this letter to David Waddington, Hamish Gray, Lynda Chalker, Arthur Cockfield, Alick Buchanan-Smith, Kenneth Clark, Ian Gow, Adam Butler, John Macgregor, John Stradling Thomas and to the Prime Minister.

KENNETH BAKER

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*Planning licence &
VAN's license to follow*