

comments on their own Interpret pages, in addition to sending OFTEL a hard copy. Comments on this document (if they are relatively short) can also be sent to OFTEL as the following e-mail address: press.office.oftel@gtnet.gov.uk

30. Copies of the proposed modifications can be obtained from Peter Hammond at the above address (telephone 0171 634 8841).

SCHEDULE

Proposed principal modifications of conditions of the BT licence Part I: Fair Trading Condition

1. The insertion of a condition to maintain effective competition.

The proposed condition 18A in BT's licence will broadly prohibit any acts or omissions by the licensee which have an adverse effect on competition in the United Kingdom in any market related to commercial activities connected with telecommunications. The condition will prohibit any abuse of a dominant position enjoyed by the licensee's group and the making of anti-competitive agreements which have no countervailing benefits for efficiency and for the consumer.

The condition is modelled on the principles of the EC competition rules, which are well-known to BT (and will be familiar to other licensees, which have indicated they will accept the terms of the condition).

The condition will prohibit certain types of behaviour, in the same way that other conditions of BT's licence do. The condition will be enforceable using the procedure available to the Director under the Telecommunications Act. However, as an additional safeguard to the licensee, the condition lays down procedural steps which the Director must follow before enforcing the condition. These include a requirement that he must give full reasons for his decisions.

2. Deletion of outdated conditions.

It is proposed to delete the following conditions which are now no longer necessary or are obsolete.

Condition 7—Calls made by Emergency Organisations. The Condition requires BT to have operators to connect calls in circumstances when they cannot be dialled direct. Because it is now possible to dial Emergency Organisations direct, the condition is redundant.

Condition 28—Arbitration of disputes with customers. This condition has been superseded by a Code of Practice and standard contract terms providing an inexpensive arbitration procedure in the event of disputes.

Condition 37—Requirement to provide itemised information. This now falls under the definition of universal service and there is, therefore, no need for a specific condition.

Condition 40A—Requirement to provide means of access to the Applicable Systems. This condition imposes an obligation on BT to provide access to its Applicable Systems, in conformity with certain standards which have now been superseded.

Condition 41—Statutory testing. BT no longer undertakes statutory testing.

Condition 46 (paras 2 to 5)—Determination power in respect of Private Circuits. These allow the Director to determine prices for Private Circuits. They have never been invoked and are inappropriate at a time when the Director is withdrawing from detailed prescriptive price determination.

Condition 49—Pre-notification of joint ventures. This condition requires BT to notify the Director of certain agreements or arrangements. OFTEL learns of any economically significant joint ventures through other clearance procedures.

3. Deletion of conditions covering behaviour which will be covered by the proposed condition.

It is proposed to delete the following conditions which deal with practices which, if they have an appreciable adverse effect on competition, would be prohibited by the proposed condition to maintain effective competition.

Condition 17A—Differential Charging. This condition was inserted to give BT greater flexibility to reduce call tariffs to fully allocated costs. Special rules on discounting are now no longer appropriate.

Condition 22—Prohibition of preferential treatment. This condition requires BT's systems business not to give preferential treatment to any apparatus supply business which it may have.

Condition 25—Charges for the maintenance of certain exchange lines. This requires BT to publish charges for the maintenance of certain exchange lines and justify any charge differential by quality of service.

Condition 35—Prohibition of linked sales. The condition prohibits linked sales other than in certain limited circumstances.

Condition 36—prohibition of certain exclusive dealing arrangements. This condition prohibits certain exclusivity

arrangements in the purchase by BT of telecommunications apparatus.

Condition 40—Prohibition of non-statutory testing arrangements. This condition prevents BT from imposing tests on apparatus to be connected to its network, over and above those required for apparatus approval under the provisions of the Act.

Condition 42—Limitations on integrated wiring situated on Served Premises. This condition prevents BT from installing its wiring in such a way as to prevent work on other systems installed on the premises.

Condition 44—Limitations on certain maintenance arrangements. This condition covers the publication of charges, terms and conditions for maintenance services which the customer can obtain only from BT.

Part II: Control of BT's Prices

Control of General Prices (Condition 24A)

The proposed modification would restrict the scope of the price control on BT to prices for residential customers only. Prices for services to business customers would no longer be subject to price control. Furthermore, the calling profiles used to weight price reductions in each individual service, or "revenue weights", would relate only to revenues from that service earned from customers whose bills are equal to or less than the highest bill in the eighth decile of all residential customers when ranked on the basis of the amount billed by BT to residential customers for price controlled services. A price change in a service used heavily by the first eight deciles of BT's residential customers would thus go further to meeting its price control obligations than one used only sparingly by such customers.

The modification would protect low volume business users by requiring BT to offer a package to business customers which is at least as favourable (for equivalent usage) as one in which the line rental is capped at RPI+0% and is set initially at £35 (as increased by RPI during the period before 1 August 1997) and call charges are the same as those offered under the residential customer reference tariff. This particular modification may not be necessary if BT is able to provide satisfactory public assurances to OFTEL as to the protection it will offer to its small business customers.

If BT fails to meet its price control obligations in the any price control year (including the final price control year), it would be required to make such changes to its controlled prices in that, or the following year as may be reasonably required to satisfy the Director that the matter had been remedied.

Control of Private Circuit Prices (Condition 24B)

The proposed modification would divide private circuits into four distinct groups for price control purposes. Analogue private circuits and digital private circuits of a capacity of 64 kbit/s or less would be placed into separate baskets and each made subject to an RPI+0% price cap. Digital circuits with a capacity of over 64 kbit/s would be removed completely from price control. In the case of international private circuits, BT would be obliged to ensure that no price for an individual route increases by more than RPI.

Treatment of Packages (Condition 24C)

BT is currently required to forego a minimum amount of revenue each year by offering discounts to its customers, whether business or residential. The proposed modification would reduce this minimum, but require that it be met only through discounts to residential customers. The level of these discounts, when expressed as a percentage of undiscounted revenues, would have to be greater than or equivalent to the value of discounts offered to BT's residential customers for the year ended 31 July 1996 (known as the "Score"), and expressed as a similar percentage. If the discounts offered in the final year of the price control period do not match or better the Score, BT would have to reduce its undiscounted prices in that year to compensate.

Part III: Service Providers

Paragraph 1(yA) in Part 1 of Schedule 1, the definition of 'Relevant Service' would be deleted and replaced with a definition which covered all services provided by means of the Licensee's Applicable Systems (as defined in Annex A of the BT licence) other than Network Services.

Sub-paragraphs 15.3 to 15.9 inclusive of Condition 15 would be deleted.

The term 'Network Service' would be defined in Condition 18.3 of the BT licence, so as to give effect to the considerations set out in paragraphs 22 to 24 above, including a provision under which the Director and BT would agree, following consultation with Interested