

APPENDIX 3.2  
(referred to in paragraph 3.6)

### **Main provisions of BT's licence**

1. BT was granted a telecommunication licence under the Act on 22 June 1984. The licence, which is for a term of 25 years (subject to the possibility of revocation on ten years' notice after 1999), allows BT to provide all kinds of telecommunication services other than (a) cable programme services, and (b) mobile services.

2. The licence is subject to a large number of conditions, which are set out in Schedule 1 to the licence. Those conditions have been modified from time to time by agreement between the DGT and BT and, on one occasion, following the making of a licence modification reference to the MMC.

3. A number of conditions of BT's licence concern its function as a provider of essential utility services to the public. For example:

- (a) *Condition 1* places a 'universal service obligation' on BT, by which it is required to provide telecommunication services (in particular voice telephony services) to every person who requests them, except where it would not be reasonable to do so.
- (b) *Condition 3* obliges BT to provide directory enquiry services (which must be free in the case of blind and other severely disabled people).
- (c) *Condition 6* requires BT to provide free public emergency call services to the public (ie the '999' service).
- (d) *Condition 11* requires BT to provide voice telephony and directory information services at its public call boxes, and limits BT's freedom to cease to provide services at a public call box.

4. Other conditions relate specifically to the economic regulation of BT, as a supplier of telecommunication services with a large share of the market:

- (a) *Condition 13A* requires BT to comply with specified standards when making essential interfaces available. These are increasingly likely to be based on the work of the European Telecommunication Standards Institute, and the UK NICC, an industry consultative body set up by the DGT.
- (b) *Condition 15, inter alia*, obliges BT to allow other people to provide services over its network.
- (c) *Condition 16* obliges BT to publish the terms and conditions, including charges, of telecommunication services which it provides under an obligation in the licence, unless the DGT consents otherwise.
- (d) *Condition 16B*, which was added to the licence in March 1995, requires BT to refer to the DGT for determination the charges to be paid by other operators for a list of standard services and to refer them annually for redetermination; to ensure that all other operators pay the same charge for the same standard services; and to ensure that internal transfer charges for the use of BT's network are effectively the same as charges to other operators.
- (e) *Condition 17* prohibits BT from showing undue preference to, or exercising undue discrimination against, individuals or classes of persons when carrying out its telecommunication business activities.
- (f) *Condition 18* prohibits BT from unfairly cross-subsidizing discrete areas of its business activities, including its apparatus supply business and its telecommunication service business. BT is also

prohibited from unfairly cross-subsidizing the provision of mobile services in the UK, in the light of its shareholding in Cellnet.

- (g) *Condition 20* requires BT to maintain separate accounts for certain specified businesses, and to provide financial statements to the DGT.
- (h) *Condition 20B* provides for accounting separation, and was added to the licence in March 1995. The purpose is to enable the DGT to assess whether BT is unfairly subsidizing or cross-subsidizing, or unduly preferring or discriminating, and to enable him to set interconnection charges which are properly and transparently related to the relevant costs.
- (i) *Condition 24A* applies a limit to the amount by which the price of BT's services may be increased in those fields in which it faces least competition.
- (j) *Conditions 27 and 28* provide respectively for BT to publish a Code of Practice for consumer affairs, and for its standard conditions for telecommunication services to enable customers to opt for inexpensive arbitration on disputes not involving complicated issues of law, where the sum involved is below a figure determined by the DGT. The current level is £5,000.
- (k) *Condition 30* (as recently amended) requires BT's meters to be approved and prohibits BT (where it has failed to take all reasonable steps to prevent the contravention) from sending out bills which are too high.
- (l) *Condition 34B* provides for BT's numbering plan to be revised in accordance with a Specified Numbering Scheme made by the DGT following publication by him of Numbering Conventions, and includes provision for the DGT to direct BT to provide NP.
- (m) *Condition 52* obliges BT to provide to OFTEL information etc which OFTEL reasonably requires for the purpose of carrying out its functions.
- (n) *Condition 53* contains exceptions to the obligations set out in the conditions, such as impracticability and certain categories of *force majeure*. In particular, BT is not obliged to provide service to a person who is in breach of a contract with BT for telecommunication services.

5. One licence condition of particular importance is Condition 13, which governs the interconnection of BT's telecommunication system with the systems of other operators. Condition 13 has been modified on several occasions. Where an operator has requested BT to enter into an agreement for the interconnection of their respective systems and agreement cannot be reached on certain vital matters, paragraph 13.5 of the licence makes provision for BT or that operator to require the DGT to determine the relevant terms and conditions. In practice BT seldom makes interconnection agreements with other operators without one or other of the parties applying to the DGT for his determination of some matter.