

# Annex 1: OfTel publications 2002

## January

Terms of reference under the Telecommunications Act 1984, charges made by Vodafone and BT Cellnet for terminating calls

Terms of reference under the Telecommunications Act 1984, charges made by Orange and One2One for terminating calls

Draft Determination: rollover of control of BT Cellnet's interconnection charges

Draft Determination: rollover of control of Vodafone's interconnection charges

Metering Systems and Billing Systems Approval Scheme Guide and Standard (**guidelines**)

Developing a strategic approach to market information (**consultation**)

Draft Determination: controlled premium rate services

LLU: statement and direction on certain BT charges for distant and physical co-location

Use of automatic calling equipment review (**consultation**)

Draft Direction concerning termination rates Amendments to the ST FRIACO Direction (**consultation**)

Effective competition review: dial-up Internet access (**consultation**)

OfTel's review of the fixed telephony market (**consultation**)

## February

Determination, licence modifications and ICSTIS code of practice: controlled premium rate services  
Research into business consumers' use of Internet, fixed line and mobile services

LLU: review of the charges for metallic path facilities and internal tie circuits (**consultation**)

Determination: Rollover of control of interconnection charges, BTCellnet

Determination: Rollover of control of interconnection charges, Vodafone

Draft Direction of a dispute over BT's average premium rate service discounts

Draft Direction of a dispute over BT's refusal to allow calls to NTS services to be excluded from its retail discounts

Review of adjustment ratio for DLE FRIACO (**consultation**)

Final Determination of surcharges for the provision by BT of carrier pre-selection facilities

## March

Allocating access codes for directory enquiry services (**statement**)

Numbering Conventions for the UK (issue 4)

Directions concerning termination rates payable by BT to operators

Draft decisions and explanatory memorandum on the intention to remove the Determinations that Vodafone and BT Cellnet have Market Influence

Competition in international markets (**statement**)

BT's regulatory obligations to provide advance notification of price changes and to maintain a published price list (**consultation**)

Effective competition review of number translation services (**statement**)

## April

Frequently asked questions on the regulation of Voice over Internet Protocol

Notice of determination to remove BT's obligation to provide NTS

Draft Direction of a dispute concerning BT's method of calculating its NTS retail uplift charge

Direction of a dispute over BT's average premium rate service discounts

Getting the best deal when using your mobile phone abroad (**consumer information**)

Mobile international roaming (**research**)

Determinations to remove the Determinations that Vodafone and BT Cellnet have Market Influence

Amended Direction of BT's retail uplift charge for calls to operators' number translation services

Imposing access obligations under the new EU Directives (**consultation**)

OfTel's management plan 2002-03 (**statement**)

Research into residential consumers' use of fixed, Internet and mobile services

## May

Research into businesses consumers' use of fixed, Internet and mobile services

The pricing of conditional access services (**statement**)

The OfTel Formula Returns (**statement**)

Notice of proposed carrier pre-selection Determination

Direction amending the requirements for provision of a FRIACO product

Draft Direction to resolve a dispute between Carrier1 UK Ltd and BT

BT's marketing of Internet services and use of joint billing (**statement**)

The general conditions of entitlement (**consultation**)

Draft Determination: Metering arrangements

BT's regulatory obligations to provide advance notification of price changes and to maintain a published price list (**statement**)

Direction over Cable & Wireless' proposal that calls to its NTS number ranges should be excluded from BT's retail discounts

Determination of fixed portability costs and charges, and statutory consultation on proposed modifications to BT's licence

## June

Mobile network operators' call success rate survey

Duct and pole sharing (**statement**)

Customer satisfaction survey with OfTel's complaint handling (**research**)

Consumer complaints made to OfTel (**research**)

PPCs: Phase one Direction

International benchmarking studies of Internet and broadband, mobile and fixed line services (**research**)

Proposals to change the framework for number portability (**consultation**)

Key trends in fixed and mobile telephony, and the Internet (**research**)

OfTel's review of the fixed telephony market (**statement**)

Notice of a proposed Determination to determine carrier pre-selection charges

Direction to resolve a dispute concerning xDSL interconnection at the ATM switch

Funds for liabilities: the way forward

Draft Direction to resolve a dispute over interconnect charges for origination of calls to freephone numbers

Draft Determination: Rollover of general price controls

Determination: Metering arrangements

Designation of OfTel Standard OTR003: 2001

Your rights and choices as a telephone customer (**consumer information**)

Consumer protection policy review guidelines (**consultation**)

Regulatory option appraisals: assessing the impact of policy proposals (**statement**)

Guidelines on best practice use of OfTel's market research (**statement**)

## July

Getting the best deal when using your mobile phone in France (**consumer information**)

Oftel's Competition Act strategy (**statement**)

Draft Determination to remove BT's obligation to provide NTS

Inclusion of directory enquiries within the carrier pre-selection 'all calls' option (**statement and consultation**)

Direction to resolve a dispute between Carrier 1 UK Ltd and BT

Oftel's response to the Fourth Report from the Culture, Media and Sport Committee, Session 2001-02 (**statement**)

Review of adjustment ratio for DLE FRIACO (**determination**)

Draft Determination: Metering arrangements

Developing a strategic approach to market information (**statement**)

Research into residential and business consumers' use of fixed, Internet and mobile services

Determination to remove BT's obligation to provide NTS

Draft Determination on costs and charges for permanent carrier pre-selection

## August

Oftel's market review guidelines: criteria for the assessment of Significant Market Power

LLU: backhaul services (**direction**)

Draft Determination: controlled premium rate services

Direction to resolve a dispute between Telewest and BT over interconnect charges for origination of calls to freephone numbers

Draft Direction regarding the regulatory financial statements of BT

Special rate numbers: views of SMEs (**research**)

Premium rate services (**research**)

Consumer awareness of premium rate services (**research**)

Businesses' use and opinion of special rate number allocation (**research**)

## September

Draft Direction relating to disputes over termination charges for internationally originated calls to UK 0845 and 0870 numbers

Proposal to revoke the Managed Network Services Direction dated 7 February 1996 (**consultation**)

Final Determination on costs and charges for the provision of permanent carrier pre-selection

Propelling the broadband bandwagon (**published by the Strategic Policy Research**)

Advance notice of proposed shorter consultation period for amendments to the FRIACO intelligent network charge (**note**)

How to access the Internet from home, and How to get the best deal from your mobile phone service (**consumer information**)

PPCs: Phase 2, a consultation on a draft Direction

Revisions to the Number Portability Functional Specification (**statement**)

Imposing access obligations under the new EU Directives (**statement**)

Consultation on draft guidelines for the interconnection of public electronic communications networks

Draft Determination under Condition 19.1 of all PTO licences

Determination: Metering arrangements

Direction resolving a dispute concerning BT's method of calculating its NTS retail uplift charge

Fixed call origination and wholesale transit market review 2002-03 (**information request**)

Draft Direction of a dispute between Cable and Wireless and BT over the transit of certain calls

The Oftel Price Assurance Standard (**statement**)

## October

Advance notice of a proposed shorter consultation on mixing of PSTN traffic over PPC infrastructure

An overview of the fixed telephone emergency services (999/112)

Criteria for the restriction of access to and use of the fixed public telephone system on the grounds of network security or integrity

Guidelines on the essential requirements for network security and integrity and criteria for restriction of access to the network

Guidelines on the essential requirements for network security and integrity

O<sub>2</sub>/T-Mobile 3G infrastructure sharing agreement, the UK's response

Oftel's race equality scheme (**consultation**)

Mobile market update, April-June 2002

PPCs: mixing PSTN traffic (**consultation**)

Guidelines on the terms of supply of conditional access

Draft Determination under Condition 19.1 of all PTO licences

Key trends in fixed and mobile telephony, and the Internet (**research**)

Research into residential and business consumers' use of fixed, Internet and mobile services

Directory enquiries and carrier pre-selection (**statement**)

Guidance to help customers manage their bills and avoid disconnection (**published by the Disconnections Steering Group**)

New 'Line and Calls' services (**consumer information**)

Draft Direction relating to a dispute over BT's Transit Risk Review Supplemental Agreement

## November

Dispute resolution under the new EU Directives (**consultation published with the Radiocommunications Agency**)

Direction over termination charges for internationally originated calls to UK 0845 and 0870 numbers

Direction over the transit of calls by Cable and Wireless to certain NTS number ranges on the BT network

Wholesale line rental (**consultation**)

Draft Direction relating to BT credit vetting procedures

Review of SIM-locking policy (**statement**)

Direction regarding the regulatory financial statements of BT

Publication scheme under the Freedom of Information Act 2000 (**statement**)

## December

Oftel's Welsh Language Scheme (**statement**)

Draft Direction relating to a dispute over BT's rearrangement charges

Extended deadline for representations on Oftel's marketing statement (**note**)

International benchmarking study of Internet access and mobile services

Mobile network operators' call success rate survey

The new 118 directory enquiry services consumer guide

Customer satisfaction with Oftel's complaint handling (**research**)

Consumer complaints made to Oftel

LLU: Co-mingling, partitioning at BT exchanges (**consultation**)

Guidelines for the new regulatory framework for service providers

Consumer protection policy review guidelines (**statement**)

Oftel's draft management plan 2003-04

Proposals to change the framework for number portability (**statement**)

Public payphones (**statement**)

PPCs: Phase two, a Direction to resolve a dispute

**Please note: the titles of some documents have been abbreviated. All documents are available on Oftel's website at [www.oftel.gov.uk](http://www.oftel.gov.uk).**

**The Director made no Orders under section 16 of the Act during the year.**

# Annex 2:

## OfTel strategy principles

All objectives	Principles
<p><b>All objectives</b></p>	<p>1. Regulate only where it is likely to bring a net benefit to consumers. Keep regulation to the minimum necessary to obtain appropriate outcomes. Assess, in a transparent, accountable and proportionate manner, the advantages and disadvantages of targeted and feasible regulatory options, for consumers and suppliers and other relevant parties, when considering adding to, reducing or retaining regulation. Measure and assess impact of regulatory actions.</p>
<p><b>Effective competition – benefiting consumers</b></p>	<p>2. Define market and assess if market power exists in accordance with competition law. Only regulate if there is market power and likelihood of abuse and do so by taking appropriate and proportionate action.</p> <p>Where competition is increasing but not yet effective, promotion of competition at all levels of network and services is acceptable so long as:</p> <ul style="list-style-type: none"> <li>• it helps to create competition where competition is sustainable without regulation in the longer term; and</li> <li>• it does not create disincentives for new entrants or incumbents to invest in infrastructure or to innovate in the provision of new services.</li> </ul> <p>Regulation to promote competition/protect consumers should include consideration, of all options as appropriate, not just behavioural options. Such regulation should become progressively 'lighter touch' as the market gets near to effective competition while recognising the increasing complexity of networks and services may require more specific intervention on occasion to enable market entry.</p> <p>3. Cease to promote competition through regulation when there is effective competition. Assessment of effective competition to be based on standard competition analysis that takes account of benefits obtained by consumers and is fully aligned with EU market analysis guidelines.</p>
<p><b>Well-informed consumers</b></p>	<p>4. Encourage greater awareness of choice of services and suppliers on the part of consumers so they are able to make competition effective and to rely less on regulation. Rely on standard consumer legislation wherever this is sufficient and encourage the use of codes of practice by individual firms and the industry collectively to make this effective for electronic communications consumers.</p> <p>5. Encourage industry to meet the needs of consumers rather than relying on regulation to meet these needs and encourage third party providers to produce information to help consumers choose.</p>

<p><b>Adequately protected consumers</b></p>	<p>6. Where competition cannot provide agreed services to all at affordable prices, regulate (using consumer protection policy review guidelines to ensure consistency and relevance of approach) to ensure there is such provision in a way that minimises distorting effects. Geographically averaged prices should only be used for supply of basic service to ensure network access by all.</p> <p>7. Control of prices should be limited to those areas where competition, assessed on the basis set out in principle 2 above, is ineffective now or in prospect (four years plus).</p> <p>8. Where competition is not in prospect or the market, of itself, will not meet consumer needs, regulate to replicate efficient outcomes subject to not undermining incentives to innovate as set out in the Access and Interconnection Directive guidelines. Ensure resources are managed efficiently, but seek market solutions wherever feasible.</p> <p>Monitor extent of consumer detriment using a consistent basis to help assess need for and impact of regulatory intervention. Attempt to minimise disruption arising from suppliers rapidly exiting from the market.</p> <p>9. Encourage industry, wherever feasible, to work with consumers and to regulate itself in those areas where a common approach is necessary to meet consumer needs ie either to provide service or for the development of competition. Encourage focus on areas where sufficient common interest (typically consumer information and protection) and look at different ways of pursuing co-regulation appropriate to circumstances, sometimes in conjunction with formal regulation as necessary.</p> <p>Encourage initiatives that are focused on producing tangible outputs, are time limited in terms of development effort, and make efficient and proportionate use of resources of participants. Any Oftel role to focus on facilitating involvement of consumer groups and suppliers and to act as a fallback option in exceptional circumstances.</p>
<p><b>Prevention of anti-competitive practice</b></p>	<p>10. Rely on competition legislation for tackling anti-competitive behaviour wherever possible and appropriate: ex ante obligations may be used to promote competition where competition legislation is inappropriate (primarily in relation to access and interconnection disputes) and where there is market power and a material effect on competition: where such means are used, be explicit why and for what purpose.</p>

Oftel's strategy, as set out above, provides the framework within which it makes its decisions. A summary of Oftel's regulatory decisions for April 2002-March 2003 can be found in *Oftel's management plan 2003-04* on Oftel's website.

# Annex 3: Expenditure and performance on major projects and programmes

Major projects and programmes, which were estimated to cost more than £250,000 in 2002-03, are as follows:

Management plan reference 2002-03	Project/programme title	Estimated cost within cost bands 2002-03
A8 C3 E9	Numbering programme Mobile termination charges Strategy implementation	£250,000 – £500,000
A6 E3 C9	Strategy and development of broadband networks Research into consumer views Advisory Committees on Telecommunications	£500,000 – £750,000
A1 C5	EU market reviews Consumer representation	£750,000 – £1,000,000
D3	Compliance casework	£1,000,000 – £1,500,000

Note: Approximate cost estimates are based on average pay and consultancy costs.

## A1 EU market reviews

Four new EU Directives on communications must be implemented by Member States by 25 July 2003. The Directives include the requirement that Member States carry out competition reviews of key markets to ensure that regulation remains proportionate in the light of changing market conditions.

Over the past year, OfTel has commenced these reviews. They take into account the European Commission's guidelines on the assessment of Significant Market Power and its recommendation on the markets to be reviewed.

The reviews represent a major project for OfTel. A series of consultation documents

have already been published by OfTel with further ones to be issued throughout 2003.

## A8 Numbering programme

During 2002, OfTel allocated 2,452 blocks of numbers, an increase from 1,584 in 2001. This included a 70 per cent increase in allocations relating to premium rate services as well as 327 new directory enquiries codes.

OfTel worked closely with the Government during 2002 to ensure that the existing PRS regulatory regime is successfully recreated under the new regulatory framework.

OfTel also continued to work alongside ICSTIS to regulate the premium rate services market.

## C3 Mobile termination charges

During 2002, OfTel presented evidence to the Competition Commission (CC) to help it with its inquiry into mobile termination rates. The CC delivered its report to OfTel on 31 December 2002 and OfTel made licence modifications to reduce mobile termination rates on 4 April 2003. The CC estimated that full implementation of its recommendations would lead to welfare gains of up to £700 million over three years.

### E9 Strategy implementation

In order to help assess Oftel's outcomes, Oftel measures its work against its Service Delivery Agreements (for further details, see *Oftel's approach to its work in 2002* chapter), benchmarking and a monitoring log.

This project also considers the way in which Oftel implements its strategy and its main output is the annual management plan. The plan for 2003-04 was published in April 2003.

Benchmarking studies were published for different markets during 2002 – PSTN, mobile, Internet access (June), and mobile, dial-up Internet and broadband (December) – along with a monitoring log of outputs of regulatory actions (December).

During 2002, Oftel also published consumer protection policy review guidelines and a regulatory option appraisals statement. These set out how Oftel will review consumer protection policies and assess the potential impact of its policy decisions.

### A6 Strategy and development of broadband networks

This project develops and implements Oftel's strategy for competition in broadband access and services across the UK.

In 2002, Oftel promoted network competition by improving certain terms for local loop unbundling. In January, Oftel ordered BT to cut its charges for some of the facilities needed by LLU operators, and in August required BT to offer backhaul services at cost-oriented prices.

Oftel announced further measures to stimulate network competition in June 2002 when it required BT to offer ATM interconnection.

Oftel also took action to ensure competition in the provision of partial private circuits. In June 2002, Oftel required BT to make available a number of improvements to its PPC products, and in December to reduce connection and rental charges for PPCs and improve service level agreements.

Oftel continued to contribute to the work of the Broadband Stakeholders' group and provide advice to devolved administrations and government departments.

Market and regulatory developments in the UK's and other countries broadband market were regularly monitored by Oftel during 2002.

### E3 Research into consumer views

It is important that Oftel has an insight into the behaviour of residential and business consumers to assist it in its policy and decision making, in monitoring the impact of its policies and decisions, and other various areas eg consumer information.

During 2002, quarterly surveys were conducted, as well as ad hoc research, all of which were published within agreed timescales.

### C9 Advisory Committees on Telecommunications

The committees advise the Director General on a wide range of telecommunications issues. Reports made by each committee can be found in the *Stakeholders* chapter.

### C5 Consumer representation

The Director General has a statutory duty to consider complaints and enquiries made to him about telecommunications services. This public service is provided by Oftel's Consumer Representation Section (CRS).

In 2002, CRS recorded 86,200 new cases (based on initial contact and not taking into account follow up calls and letters). 188,000 telephone calls were handled and 32,800 pieces of written work were dealt with. Further details can be found in the *Working for consumers* chapter.

### D3 Compliance casework

Oftel has targets for the timely completion of compliance casework. For 2002, 74 per cent of full investigations were concluded

within six months (80 per cent target) and 98 per cent were completed within 12 months (100 per cent target). This was due largely to the increasing complexity of cases and the removal of the six week preliminary investigation phase which means that the full investigation targets have effectively been tightened.

However, Oftel implemented in 2002 a substantial reorganisation of the way it manages casework: changes to senior management responsibilities, an overhaul of the internal committee and decision-making structure, improvements in internal case monitoring and reporting, and more flexible deployment of staff across the full range of cases, have resulted in improved completion times.

In the second half of 2002, despite opening more investigations than in the first half of the year, the number of investigations taking in excess of four months to complete fell from 56 per cent to 40 per cent.

Oftel also investigated more cases under the Competition Act 1998. As outlined in its Competition Act strategy statement, Oftel expects to investigate, and where appropriate take enforcement action, under the Competition Act rather than using sectoral powers in cases where behaviour could contravene both. Since implementing the strategy, Oftel has opened 13 cases that it might have investigated under either the Competition Act or sectoral rules. Of these cases, nine (69 per cent) were opened as Competition Act investigations (this compares with one case during the first half of 2002).

New arrangements have recently been put in place to meet the new four month deadline for dispute resolution under the new European Framework Directive. Following consultation with stakeholders, Oftel issued a statement in February 2003 setting out how it will meet the new deadline.

# Annex 4: Financial accounts and expenditure plans

## Expenditure plans

The Government's expenditure plans for OfTel for 2003-04 are set out in the following core tables together with outturn information from 1998-99 onwards.

Financial information is presented on an accruals basis. The aim of the tables is to provide a detailed analysis of departmental expenditure plans in resource terms, showing resource consumption and capital investment, and expenditure in Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME). Tables are included showing administration costs and staff numbers.

OfTel's expenditure plans cover 2003-04 only as the Communications Bill is likely to become an Act in the summer of 2003.

The Act will confer regulatory powers on Ofcom which will be operational by the end of 2003 subject to the passage of the Bill through Parliament. After this date, OfTel will cease to exist.

## Resource accounts 2001-02

OfTel's resource accounts for 2001-02 were published on 27 November 2002 (The Stationery Office, HC 46, ISBN 0-10-291977-1).

The following table provides details of the separation of costs by expenditure category in 2001-02 between policy and support activities.

Summary of Resources 2001-02 £'000	Regulatory Policy Directorate	Compliance Directorate	Director General's Office & Business Support	Total
<b>Administration Costs (ACs)</b>				
Pay	3,901	3,598	1,902	9,401
Consultancy	1,192	359	272	1,823
Rent (Ludgate Hill/Shoe Lane)			1,451	1,451
Training (PRTU)	23	89	211	323
Recruitment			165	165
Press/Publicity			277	277
Other ACs	202	200	1,629	2,031
<b>Total ACs</b>	<b>5,318</b>	<b>4,246</b>	<b>5,907</b>	<b>15,471</b>
<b>Programme</b>				
Twining with Poland	261			261
Advisory Committees on Telecommunications (ACTs)		401		401
Litigation			53	53
<b>Total Programme</b>	<b>261</b>	<b>401</b>	<b>53</b>	<b>715</b>
Notional costs (eg depreciation)	0	0	852	852
<b>Total Resource costs</b>	<b>5,579</b>	<b>4,647</b>	<b>6,812</b>	<b>17,038</b>
<b>Capital</b>				
Furniture/Office equipment			260	260
IS/IT			600	600
<b>Total Capital</b>	<b>0</b>	<b>0</b>	<b>860</b>	<b>860</b>

## Public spending – Office of Telecommunications

	1998-99	1999-00	2000-01	2001-02	2002-03	£'000 2003-04
	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans
<b>Consumption of resources:</b>						
Office of Telecommunications	-3,143	559	1,232	815	1,611	1,635
Regulation of the telecommunications industry to ensure the best possible deal for telecommunications customers in terms of quality, choice and value for money						
<b>Total Oftel Resource Budget</b>	-3,143	559	1,232	815	1,611	1,635
<i>of which:</i>						
Oftel Departmental Expenditure Limit (DEL) <sup>(2)</sup>	-3,143	559	1,232	815	1,611	1,635
<b>Capital spending:</b>						
Provision of Oftel's capital infrastructure	765	1,812	562	860	804	519
<b>Total Oftel Capital Budget</b>	765	1,812	562	860	804	519
<i>of which:</i>						
Oftel Departmental Expenditure Limit (DEL) <sup>(1)</sup>	765	1,812	562	860	804	519
<b>Total public spending on Oftel<sup>(3)</sup></b>	<b>-2,630</b>	<b>1,817</b>	<b>1,213</b>	<b>982</b>	<b>1,594</b>	<b>1,057</b>

(1) Oftel Departmental Expenditure Limits, set as part of the 2002 Spending Review

(2) of which, resource 'near cash' DEL

-3,439      -248      466      -37      637      611

(3) Total public spending calculated as the total of the resource budget plus the capital budget, less depreciation

## Resource budget – Office of Telecommunications

	1998-99	1999-00	2000-01	2001-02	2002-03	£'000 2003-04
	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans
Departmental Expenditure Limit						
<b>Voted:</b>						
Regulation of the telecommunications industry to ensure the best possible deal for telecommunications customers in terms of quality, choice and value for money						
RFR1 A Administration	-855	950	1,251	821	760	680
Total voted	-855	950	1,251	821	760	680
Non-voted	-2,288	-391	-19	-6	851	955
<b>Total Oftel Resource DEL</b>	<b>-3,143</b>	<b>559</b>	<b>1,232</b>	<b>815</b>	<b>1,611</b>	<b>1,635</b>
Total Oftel Resource Budget	-3,143	559	1,232	815	1,611	1,635
<i>of which:</i>						
Voted	-855	950	1,251	821	760	680
Other non-voted	-2,288	-391	-19	-6	851	955
<i>and of which:</i>						
Central government own spending	-3,143	559	1,232	815	1,611	1,635
<i>NB Voted net resource outturn in Estimate entitled: Oftel</i>						
Resource DEL in Estimates	-855	950	1,251	821	760	680
Resource DEL in Budgets	-855	950	1,251	821	760	680
Total resource consumption in Estimate	-855	950	1,251	821	760	680

## Administration costs – Office of Telecommunications

	1998-99	1999-00	2000-01	2001-02	2002-03	£'000 2003-04
	Outturn	Outturn	Outturn	Outturn	Estimated Plans	Plans
<b>Gross administration costs</b>						
Paybill	6,097	6,783	7,671	9,401	10,741	11,608
Other	4,426	5,999	5,660	6,923	8,811	7,810
<b>Total gross administration costs</b>	<b>10,523</b>	<b>12,782</b>	<b>13,331</b>	<b>16,324</b>	<b>19,552</b>	<b>19,418</b>
Related administration cost receipts	-11,557	-12,063	-12,418	-16,223	-18,691	-18,410
<b>Total Oftel net administration costs</b>	<b>-1,034</b>	<b>719</b>	<b>913</b>	<b>101</b>	<b>861</b>	<b>1,008</b>
<b>Analysis by activity</b>						
Regulation of the telecommunications industry to ensure the best possible deal for telecommunications customers in terms of quality, choice and value for money	-1,034	719	913	101	861	1,008
<b>Total administration costs</b>	<b>-1,034</b>	<b>719</b>	<b>913</b>	<b>101</b>	<b>861</b>	<b>1,008</b>
<b>Controls and limits</b>						
Administration costs limits (net) for gross controlled areas:	-1,034	719	913	101	861	1,008
<b>Total net administration costs limits for gross controlled areas</b>	<b>-1,034</b>	<b>719</b>	<b>913</b>	<b>101</b>	<b>861</b>	<b>1,008</b>

Throughout this table, administration costs refer to administration costs within the administration costs control regime

## Staff numbers – Office of Telecommunications

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Actual	Actual	Actual	Actual	Estimated Outturn	Plans
<b>Summary</b>							
<i>Central department</i>							
Civil Service full time equivalents	166	165	195	205	232	230	227
Overtime	0	0	0	0	1	1	2
Casuals	10	16	0	3	3	5	10
<b>Total</b>	<b>176</b>	<b>181</b>	<b>195</b>	<b>208</b>	<b>236</b>	<b>236</b>	<b>239</b>

# Annex 5:

## Price control 2002-03

BT's retail price control means it is obliged to reduce its prices by RPI-X every year between 1 July and 30 June the following year. The value of X is normally fixed for a four year period to enable BT to make long term decisions more easily. The last four year price control period ended on 30 June 2002, so this annual report straddles two price control periods – July 1997-June 2002 and July 2002 onwards.

It is not only the value of X that has been subject to review – changes in the methodology have also been made of which the most significant relates to the way in which discounts are handled.

Under previous controls, BT's discounts, with two exceptions, were not included in the basket. This was to avoid BT being able to focus price reductions on its higher spending customers. However, as discounts have become an increasingly important part of pricing – large numbers of customers use packages such as BT Together – the basket was no longer directly comparable. Therefore, discounts are now included in the basket rather than subject to a separate agreement, the discount yield, as in previous controls.

Bringing discounts into the basket has changed the way in which BT is judged to have failed or succeeded in meeting the requirement. In previous years, BT was judged to have been compliant if it could show that its gross revenues had fallen by RPI-X in the given period. From July 2002 onwards, BT are required to show that its net revenues – the amount paid by customers – has fallen by the required amount.

As an additional measure, the notion of a reference tariff no longer applies. Prior to July 2002, BT was allowed to nominate one tariff as the reference tariff and all price

changes would be assessed as if all customers were on that tariff. As this could give rise to anomalous situations, which were resolved within the discount yield, it will no longer apply under the new control.

Overall, these changes have streamlined the process of determining whether or not BT has met the price control and ensure that the price control basket relates to customer experience more closely.

### Price control, 2001-02

During 2001-02, X was fixed at 4.5 per cent. Therefore, BT had to reduce the revenue obtained from products in the retail price basket (rental, inland and international direct dialled and operator controlled calls, connection and the inclusive call allowance) by 2.57 per cent or £63.9m. As BT had made excessive price cuts in 2000-01, it was allowed to carry over £3m. As a result, BT had to reduce revenues by £60.9m between July 2001 and June 2002.

On 1 October 2001, BT introduced an offer that allows its customers to make local and national weekend calls, capped at 20p, approximately once a week, and also reduced the connection price by 24 per cent. And in November 2001, BT introduced differentiated rental fees and increased inclusive call allowance from £4.69 to £5.49 (excluding VAT).

As these price cuts were worth a total of £62.9m, BT fulfilled its obligations in 2001-02.

### Price control, 2002-03

Since July 2002, BT has been subject to a RPI-RPI price cap. This means that BT is not permitted to increase the overall price of the basket in nominal terms, but is allowed to increase the price in line with inflation.

BT has until June 2003 to meet this condition. BT has not yet formally submitted its price changes for this price control, but OfTel believes that it will meet its requirements for the year.

### Analogue leased line basket

There is also a RPI+0% safeguard cap applied to analogue private circuits. The current controls were introduced in August 2001 when the safeguard cap was removed from digital, at or below 64 k/bits, private circuits but retained on analogue circuits, until July 2005.

Price changes for the 2002-03 price control year were made on 1 December 2002. Prices of inland analogue private circuits were increased on average by 1.03 per cent – consistent with the increase in RPI.

# Annex 6: Licences register, licences issued in 2002

## Public Telecommunications operators

### March

AT&T (formerly AT&T Global Network Services (UK) BV)  
Eurocall Limited  
Fibernet UK Limited

### May

Tweedwind Limited

### June

VTL (UK) Limited  
Severn Trent Retail Services Limited

### September

Gamma Telecommunications Ltd

### December

KPN EuroRings B.V.

## Public Telecommunications Operators without Code Powers

### April

Companhia Portuguesa Radio Marconi SA  
T-Systems Limited  
United Networks Limited

### August

Econet Satellite Services Limited

## Mobile Public Telecom Operators

### January

Inquam Telecom (Holdings) Limited  
(formerly Earthadvice Ltd)

## Non-Public Telecommunications Operators

### January

Centric Telco Ltd

### August

NWP Street Limited

## Class Licence

Class licence to run branch systems to provide telecommunication services

## International Simple Voice Resale (ISVR)

### January

118 UK Ltd  
Cencion Telecommunications Ltd  
Client Communication Ltd  
Global Line Ltd  
Ibasis Global Inc  
InfoNXX UK Ltd  
IV Response Ltd  
Key Carrier Services International  
Passport Telecom Ltd  
Real Data Services Ltd  
Smile Telecom Ltd  
Stratos Global Ltd  
Vodat Solutions Ltd  
Xtelecom Ltd

### February

Dumerton International Inc  
Ecosse Tel Internet Ltd  
E-Guide  
Housebranch Ltd  
Mediterranean Nautilus Ltd  
Norbridge Telecom Ltd  
Radiant Europe  
Totalnet Internet Ltd  
UK Directory Assistance LLP  
Zaf Telecom Ltd

### March

EurExcel Ltd  
Intelicom Ltd  
Metro Networks Ltd

### April

Arrow Communications Direct Ltd  
Byte Telecom Ltd  
(formerly iMass Telecom Ltd)  
City 2 City Communications Ltd  
Connectus Solutions Ltds  
Floe Telecom Ltd  
Dalecom  
G Networks Ltd

### May

Dialprs Ltd  
Digital Mail Ltd  
Elitetele. Com PLC  
Feed the Goat Ltd  
First National Telecom Services Ltd  
Global Connex Communications Ltd  
Globell Business Solutions Ltd

**June**

Daltel Europe Ltd  
Jetmode Communications Ltd

**July**

24 Seven Communications Ltd  
BCT International Ltd  
Jubilee Telecom Ltd

**August**

Business Service Provision Co Ltd  
Chariot Web Solutions Ltd  
Funview Ltd  
KT UK Ltd  
Indian Orchard Capitol Ltd

**September**

Alphadial Communications  
Bestway Communications  
Danmere Street Creative Ltd  
Emergia Hispana S.A.  
Hotline Energy PLC

**Satellite****February**

Speedwing International Limited

**Licence Breakdown**

Public Telecommunications operators – 8  
Public Telecommunications Operators  
without Code Powers – 4  
Mobile Public Telecom Operators – 1  
Non-Public Telecommunications  
Operators – 2  
Class Licence – 1  
International Simple Voice Resale  
(ISVR) – 56  
Satellite – 0  
Particular Person – 0