LORD YOUNG CALLS FOR APPLICATIONS TO RUN "PHONES ON THE MOVE"

Lord Young, Secretary of State for Trade and Industry, today set out the next steps to take mobile personal telephones in the UK into the next decade.

He announced the way in which operators would be selected to run the new two-way personal communications networks (PCNs) proposed in the Government's discussion document "Phones on the Move", which will compete with the two existing cellular radio operators in the early 1990s.

Lord Young told Parliament that on the advice of the Director General of Telecommunications he had decided that one licence will be given to a consortium led by Mercury or Cable and Wireless - subject to them putting forward acceptable proposals. This will help Mercury provide the full range of telecommunications services in competition with British Telecom.

He said that notes to guide applicants for another one, or possibly two, licences had been issued today, and that he intended to identify these prospective operators by the end of the year. Cellnet and Vodafone, current mobile cellular radio operators, will not be eligible to apply or take part in the selection process.

Lord Young also said that he expected 'today's' technology - the Telepoint system of small personal cordless' phones which will allow subscribers to make outgoing calls from 100-150 metres of public base stations - would be introduced to the marketplace before the end of the year. The four Telepoint operators were announced by the Secretary of State in January.

In a written answer to a Question from Lord Brougham-Vaux in the House of Lords asking about progress following publication of "Phones on the Move", Lord Young said:

"I have considered carefully the responses to the discussion document in the light of my wish to select at least two operators to provide personal communications networks (PCNs) in the 1990s. I have also received advice from the Director General of Telecommunications.

"The Director General has advised me that the capacity of Mercury Communications Ltd, a subsidiary of Cable & Wireless plc, to provide the full range of telecommunications services in competition with British Telecom is limited by the lack of a mobile radio network to compete with Cellnet, in which BT as a majority stake. I have therefore accepted his advice that a consortium led by Mercury or Cable & Wireless should be a prospective operator and in due course be offered one of the licences to operate a mobile communications network within the frequency range 1.7-2.3
GHz. This is subject to the submission of an acceptable proposal, both in regard to the consortium and in business and technical terms, by 14 September.

“On the advice of the Director General, I intend to identify one, or possibly two, other prospective operators by the end of the year. I am issuing notes for the guidance of applicants today. Copies of these notes have been placed in the libraries of both Houses. The closing date for applications is noon on Thursday 14 September.

“Applications may be made by any company, whether or not it responded to the discussion document. The exceptions are Cellnet and Racal Vodafone, their associates and main shareholders. Since the new networks are intended to compete with these companies' existing cellular radio operations, I have decided, on the Director General's advice that they should not be able to participate in their development or operation either in their own right or as a member of a consortium. I will, however, keep under review their needs for additional frequencies in the light of the progress they make on the pan-European cellular network and the development of competition in the UK.

“I have also considered the choice of PCN technology, which will govern the appropriate technical standards. The two technologies, which emerged strongly from the consultation period were those being developed for the pan-European digital cellular radio system and the Digital European Cordless Telephone. It is my intention that the PCNs should operate according to a common technical standard, in order to ensure competition between the operators. It would be highly desirable for this to be based on a technology developed in Europe. Accordingly, I have decided that applications must be based on one or other of these technologies, and applicants may, if they wish, put in separate proposals based on each. The selected common standard will be announced when the choice of operator is made and will take account of developments in Europe.

“I have also considered the major cost of linking the small radio cells needed to provide a true PCN. To aid the planning of these networks for the 1990's, I have decided that the operators will be able to provide their own radio-based network infrastructure between individual radio cells. However, the links to the public switched network, which provides the basic telecommunications service of conveying messages over fixed links, will still be provided by British Telecom or Mercury pending the outcome of the November 1990 duopoly review. In order to protect the position of the new entrants, any request by the existing cellular operators to provide similar radio links for their own networks will be considered in the light of their progress in implementing the pan-European cellular network but will in any event not be implemented until two years after both of the new PCNs have entered service, provided there are no undue delays in the introduction of the new networks.

“I have been aware of the possible effect of this initiative on the four Telepoint operators I announced in January. I do not believe that the PCN initiative should significantly effect their prospects for success. The new networks will offer two-way call initiation aimed to compete with cellular radio, with its relatively expensive and sophisticated technology, and will not begin service until 1992 at the earliest. By contrast the inherently lower cost one-way Telepoint technology has already been developed and I expect it to be introduced into the marketplace well before the end of the year. I have, however, asked the Director General to pay particular regard to any new ideas from the Telepoint operators themselves as to how the Telepoint concept could be further developed in the future and to advise me as necessary.
"The 'Phones on the Move' discussion document put forward our vision of the future in PCNs and companies responded to it with enthusiasm and imagination. I intend to maintain this momentum, and to encourage industry to make this vision a reality in the early 1990s. I do not anticipate any further major developments in new mobile telecommunications systems for some time. As a result of my announcement today and previous announcements on Telepoint, cellular radio, private mobile radio and paging, the Government has opened up new markets and provided for effective competition. We hope that all the companies involved in this field will continue to respond vigorously and to exploit the opportunities that have been created."

NOTES FOR EDITORS

1. This announcement follows the consultation process on the Department's discussion document 'Phones on the Move – Personal Communications in the 1990s'. More than 2000 of these documents have been issued, and 56 responses were received by the deadline for comments of 28 April. The publication of this document was announced at the same time as the successful Telepoint applicants on 26 January 1989 (DTI Press Notices 89/51 and 52).

2. The technological approaches most favoured by the companies commenting were the technology being developed for the pan-European digital cellular radio network (known as GSM after the committee responsible for developing the standard) and the Digital European Cordless Telephone (DECT) now under development in Europe. GSM-based equipment is expected to enter service in 1991 when the pan-European cellular network comes on stream. DECT-based equipment is expected to be available in 1994-5, initially aimed at the cordless company private branch exchange (PABX) market.

3. The two existing UK cellular radio operators, Cellnet (owned by British Telecom and Securicor) and Racal Vodafone, were licenced in 1985 and chosen as the UK participants in the pan-European network in 1987. The four Telepoint operators, chosen in January 1989, are:

the BYPS Consortium (Philips, Barclays and Shell)
Ferranti
Mercury Callpoint
Phonepoint

The first of these are expected to start service during this year.

4. Copies of the notes for guidance and discussion document can be obtained from DTI on telephone: 01-215 8187 or 01-215 8139.

Press Enquiries: 01-215 5069/5068
(Out of Hours: 01-215 4657/8)
Public Enquiries: 01-215 5000

ENDS