

# Vision of the past today

**Keith Humphreys** recalls the 1984 Telecommunications Act, which privatised BT. Now the telco is taking action to 'empower' its customers

**D**O YOU REMEMBER going to the Post Office to pay the telephone bill? That is what we used to do right up until the end of the 1970s. And it was not unusual to wait for years to have a telephone line installed.

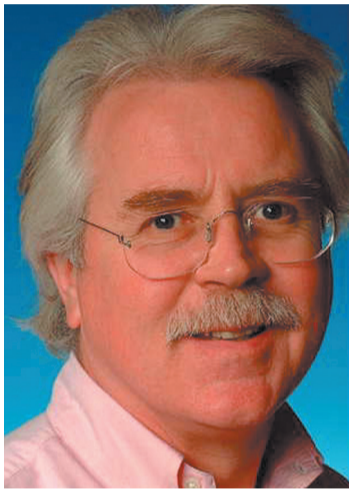
Do you remember 1984? Cast your mind back to the Los Angeles Olympics, the Rubik's Cube, the first Apple Mac, the George Orwell revival and Maggie Thatcher. She had been prime minister for five years when her government passed the Telecommunications Act, which privatised BT.

AT&T was broken into 22 Baby Bells in the same year, but Thatcher's Act was the first piece of such legislation in Europe. This was at a time when it took forever to get a telephone fault fixed, so it marked a visionary attempt to make the UK lead the world. There must be lessons that we can take from the legislation that paved the way for privatisation of the UK's telephone monopoly.

Two decades later, and with the groundbreaking spirit of the Telecommunications Act a distant crackle on the line, the UK's fixed-line telecoms market is still dominated by the former state monolith. BT's domination is in the form of 72 per cent of the home market and nearly half of the business market.

This is not the case with other utilities. Take the gas market, where within six years of liberalisation, new entrants have secured almost 40 per cent of the gas market. In electricity, competition grew even faster, with new players grabbing 36 per cent of the market in just five years.

So why the contrast between these utilities? In the gas and electricity markets there was a rigid separation between the core wholesale business and the



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piece that served people's houses.

In contrast, BT's UK operations are made up of BT Wholesale, which owns the network, and BT Retail, which sells the services to homes and businesses. However, this is not the only reason for the slower pace of competition. After 1984, the duopoly between BT and Mercury was allowed to go on for too long. It was not until the early 1990s that the cable TV firms could deliver telephony.

Unlike BT, which had inherited its competitive advantage from taxpayers, the cable companies had to spend billions of pounds of shareholders' cash building networks. They had an opportunity, but thanks to poor financial management, patchy customer service, irksome planning laws, an unfortunate decision to

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concentrate on the home market – even to the extent of ignoring business parks – and a far nimbler TV rival in Sky, they wasted much of it.

Overseeing all of this was OfTel. The watchdog was born from the Telecommunications Act, which took the regulatory regime away from the government and introduced the concept of independent regulation.

BT has been accused of delaying the introduction of products that its rivals are dependent on it delivering before they can offer them to the public. Maybe Ofcom, OfTel's successor, will change this. A report, which analyst the Yankee Group has prepared on behalf of Allied Telesyn, concludes that only Local Loop Unbundling (LLU) will provide the service richness that multi-megabit Digital Subscriber Line promises. The report states that the barriers to LLU are the complexity of the process causing delays in collocation and the low cost differential between BT Wholesale and Retail.

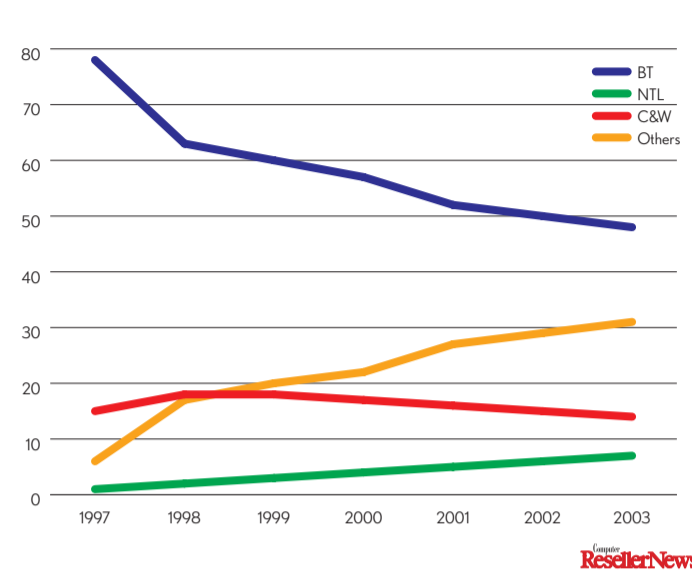
In the summer, BT announced 21CN, its 21st-century network. Will this change the dominance of BT? According to BT, it changes everything. In the announcement it claimed: "We will empower the customer with control, choice and flexibility, and offer them communications from anywhere to any device. We'll make exciting services available faster than has been possible before." BT also promised that by 2009, broadband dialtone will be instantly available to most BT customers in the UK.

So, two decades on, will the promise of the Brave New World be delivered in the new millennium?

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Market share of business sector for UK telephony market (%)



Source: EuroLAN

## History of telecommunications: 1981 to present

- 1981** Beesley report recommends some liberalisation.
  - British Telecommunications Act splits BT from the Post Office.
- 1982** White Paper signals privatisation policy.
- 1983** Duopoly policy.
  - Seven years, only BT and Mercury.
  - Cable TV and telecom markets kept segregated.
- 1984** Telecommunications Act privatises BT.
  - Creates OfTel.
- 1985** Mobile duopoly.
  - Vodafone and BT's Cellnet.
- 1989** Domestic resale permitted.
  - BT buys Cellnet.
- 1991** White paper cancels duopoly.
  - Cable TV companies allowed into telecom services market.
  - Telecoms barred from TV for decade.
- 1993** Mercury creates One2One.
- 1994** Orange enters market.
- 2000** Vodafone buys Mannesmann.
  - Regulator forces sale of Orange.
  - Acquired by France Telecom.
- 2001** BT Cellnet demerges to mm02.
  - Deutsche renames One2One T-Mobile.
- 2002** OfTel remit broadens and renamed Ofcom.
- 2004** 21st Century Network announced.

Source: EuroLAN

## LLU development in European countries, July 2004

	Total DSL	LLU DSL	LLU as a proportion of total DSL (%)	Shared access as a proportion of LLU DSL lines (%)
<b>France</b>	4,730,720	730,720	15	2
<b>Germany</b>	5,264,000	564,000	11	0
<b>Italy</b>	3,332,000	357,000	11	0
<b>Netherlands</b>	1,422,000	365,000	26	90
<b>Spain</b>	2,087,150	43,422	2	5
<b>Sweden</b>	659,410	88,410	13	90
<b>UK</b>	2,722,500	12,500	0.5	37

Note: figures in italics are estimates

Source: The Yankee Group